



Sakinah Sutherland  
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## **GENERAL PURPOSES COMMITTEE**

**Wednesday, 26th June, 2024 at 7.00 pm in the Conference Room,  
Civic Centre, Silver Street, Enfield, EN1 3XA**

### **Membership:**

co :Nia Stevens (Chair), Sabri Ozaydin (Vice-Chair), Josh Abey, Nicki Adeleke, Alessandro Georgiou, Destiny Karakus, Joanne Laban, Elisa Morreale, and Julian Sampson

### **AGENDA – PART 1**

**1. WELCOME & APOLOGIES**

**2. DECLARATIONS OF INTEREST**

Members of the committee are invited to identify any disclosable pecuniary, other pecuniary or non-pecuniary interests relevant to the items on the agenda.

**3. MINUTES OF THE PREVIOUS MEETING (Pages 1 - 4)**

To approve the minutes of the meetings held on 27 March 2024

**4. GENERAL PURPOSES COMMITTEE WORK PROGRAMME 2024/25  
(Pages 5 - 20)**

To agree the General Purposes Committee annual Work Programme for 2024/25

**5. BDO PROGRESS REPORT ON THE EXTERNAL AUDIT OF ACCOUNTS  
FOR 2019/20 (Pages 21 - 30)**

To review the Progress Report on the External Audit of Accounts for 2019/20

**6. DRAFT STATEMENT OF ACCOUNTS 2023/24 (Pages 31 - 34)**

To approve the draft 2023/24 Statement of Accounts and the publication of the accounts by the deadline of 31 May 2024.

**7. GRANT THORNTON AUDIT PLAN FOR EXTERNAL AUDIT OF ACCOUNTS 2023/24 (Pages 35 - 88)**

To review the planned scope and timing of the statutory audit of London Borough of Enfield.

**8. DATES OF FUTURE MEETINGS**

To note the dates of the future meetings:

Wednesday 24 July 2024

Wednesday 23 October 2024

Wednesday 29 January 2025

Wednesday 26 March 2025

**GENERAL PURPOSES COMMITTEE - 27.3.2024****MINUTES OF THE MEETING OF THE GENERAL PURPOSES COMMITTEE HELD ON WEDNESDAY, 27TH MARCH, 2024**

**MEMBERS:** Councillors Thomas Fawns (Chair), Ayten Guzel (Vice Chair), Nawshad Ali, Alessandro Georgiou, Nelly Gyosheva, Elisa Morreale, Sabri Ozaydin, Julian Sampson. Michael Rye OBE, and Peter Nwosu (General Purposes Committee Independent Person)

**Officers:** Anette Trigg (Interim Director of Finance), Marion Cameron (Head of Internal Audit), Ludmilla Iyavoo (Senior Litigation and Governance Lawyer) and Nicola Lowther (Governance Manager)

**Also Attending:** Ciaran McLaughlin (BDO), Sebastian Evans (BDO), Sebastian Evans (BDO) and Matt Dean (Grant Thornton)

**1. WELCOME & APOLOGIES**

The Chair welcomed everyone to the meeting.

Apologies were received from Cllr Laban who was substituted by Cllr Julian Sampson.

Apologies for lateness were received from Peter Nwosu and Cllrs Ali and Guzel.

**2. DECLARATIONS OF INTEREST**

No declarations of interest were received.

**3. MINUTES OF THE PREVIOUS MEETING**

The minutes from the previous meeting held on 31 January 2024 were **AGREED**.

**4. BDO PROGRESS REPORT ON EXTERNAL AUDIT OF ACCOUNTS**

Ciaran McLaughlin from BDO and Sebastian Evans from BDO attended the meeting. A verbal update was provided on the progress finalising the 2019/20 audit.

Ciaran reiterated BDO's commitment to complete the audit by April 2024 and would look to have final sign off at the next committee meeting in June 2024.

**GENERAL PURPOSES COMMITTEE - 27.3.2024**

The update was **NOTED**.

**5. GRANT THORNTON UPDATE ON PLANNING 2023/24**

Matt Dean, Key Audit Partner from Grant Thornton (GT) attended the meeting. A verbal update was provided on the progression of the 2023/24 Audit.

The Audit Plan will be coming to the next committee meeting in June 2024 which will set out the value for money of work with the aim to finish as many of sets of accounts by end of December 2024, which is subject to where the backstop lands. GT are having early conversations now to get an understanding of the scope of the audit, the requirements and engage with internal specialists to ensure that deadlines are met.

Members asked for a recommendation that the accounts once finalised will go to next appropriate full Council to be considered.

**ACTION:** Chair to put forward to Officers.

The Chair thanked Grant Thornton for the presentation and update and was confident that it is the start of a very productive working partnership.

The update was **NOTED**.

**6. INTERNAL AUDIT, COUNTER FRAUD AND INSURANCE PROGRESS UPDATE**

Marion Cameron, Head of Internal Audit provided an overview on the progress against the 2023-23 Internal Audit Plan, the 2023-24 audit reports with limited assurance opinions issued since the last update to the committee and the continued work to target limited audit resources at the highest priority. 58% of audits have been completed which is up from 45% since the last update to the committee in October and one audit has been removed from the plan (Forty Hill Primary School).

In response to Members questions, the Officer confirmed that some purchase card users are no longer with the Council and there has been an ongoing investigation. There is a new purchase card provider that is being used which makes the processing simpler for users and the reviewing process easier for managers and Exchequer Services has overview of spending.

It was also confirmed that direct payments are being withdrawn in cash and these cases are being addressed by Adult Social Care and Finance; the Adult Social Care and Finance Teams have a more collaborative approach now with regards to Adult Social Care Debt Collection with a view to have an end-to-end review and are working through the list of actions over the next two years at which point they will be subject to another audit.

## **GENERAL PURPOSES COMMITTEE - 27.3.2024**

Furthermore, the Officer advised that the Operational Plan for the Energetik Loan Repayments and Connection Timelines will be going to Cabinet in June 2024.

**ACTION:** Marion Cameron to share the criteria for risk categories and to provide specific details on the high risk identified on several work orders being raised for the same initial complaint made by a resident.

The report was **NOTED**.

### **7. 2024-25 INTERNAL AUDIT CHARTER AND 2024-25 INTERNAL AUDIT PLAN**

Marion Cameron (Head of Internal Audit) provided an overview of the report and explained that, in line with the requirements of the Public Sector Internal Audit Standards (PSIAS), they have a responsibility to regularly review the Internal Audit Charter and to establish risk-based plans to determine the priorities of the Internal Audit activity. There have not been any significant changes since last year.

The draft Internal Audit plan is brought to the committee for approval, which is based on risk approach, corporate risk registers, consulting with the Assurance Board and departmental management teams. A more agile approach has been used, with the plan being for 6 months and will come back later in the year to update the committee on the plan for the remainder of the year which is an up-to-date methodology when dealing with internal audit.

**AGREED** the 2024-25 Internal Audit Charter and the 2024-25 Internal Audit Plan.

### **8. ANNUAL GOVERNANCE STATEMENT 2023/24**

Ludmilla Iyavoo (Senior Litigation & Governance Lawyer) provided an overview of the report and stated that the Annual Governance Statement (AGS) needs to be signed off annually by 31 May.

In response to Members questions, the Officer confirmed that the AGS has been devised in consultation with Executive Directors, Directors, the Monitoring Officer, Finance and Audit Teams as well as external auditors Grant Thornton with sign off from the Chief Executive. Further information is to be provided by the Monitoring Officer to members on the purpose and audience of the AGS. Members asked for a more detailed explanation of what constituted covert surveillance. Members also asked what the purpose of the AGS is and had queries with regards to the Local Plan and officers agreed to provide a more detailed explanation to the questions after the meeting.

**ACTION:** Ludmilla Iyavoo/Terry Osborne

**AGREED** the Annual Governance Statement 2023/24.

**GENERAL PURPOSES COMMITTEE - 27.3.2024**

**9. DATES OF FUTURE MEETINGS**

**NOTED** that the future meetings of the General Purposes Committee will be confirmed at the Annual Council meeting on Wednesday 15 May 2024.

## London Borough of Enfield



<b>Report Title</b>	General Purposes Committee Annual Report 2023/24 and 2024/25 Work Programme
<b>Report to</b>	General Purposes Committee
<b>Date of Meeting</b>	26 June 2024
<b>Cabinet Member</b>	N/A
<b>Executive Director / Director</b>	Terry Osborne Director of Law and Governance
<b>Report Author</b>	Claire Johnson <a href="mailto:Claire.Johnson@enfield.gov.uk">Claire.Johnson@enfield.gov.uk</a>
<b>Ward(s) affected</b>	N/A
<b>Classification</b>	Part 1 Public

### Purpose of Report

1. This report details the activity of the General Purposes Committee for the year 2023/24 and outlines the proposed work programme for 2024/25.

### Recommendations

- I. The Committee and Full Council are asked to note the annual report;
- II. The Committee are asked to note the proposed work programme for 2024/25.

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**Appendices**

General Purposes Committee Annual Report 2023/24 and 2024/25 work programme



**General Purposes Committee  
Annual Report 2023/24  
and  
2024/25 work programme**

### **Chair's Introduction**

I am very pleased to present this General Purposes Committee Annual Report for the period 2023/24 to both the Committee and to Full Council.

The report shows that the General Purposes Committee has undertaken its role effectively covering a wide range of topics and ensuring that appropriate governance and control arrangements are in place to protect the interests of the Council and the community in general.

I would like to thank all the members who served on the Committee during 2023/24. My thanks also go to Council officers who supported the work of the committee and more specifically me in my role as Chair of the committee during the period this report covers.

Councillor Thomas Fawns (former Chair)

## 1. Introduction

This report details the activity of the General Purposes Committee for the year 2023/24.

## 2. Proposal

The committee and Full Council are asked to note the report.

## 3. Terms of reference and membership

The purpose of the General Purposes Committee is to provide assurance to the Council on the adequacy of the risk management framework and the internal control environment. The committee receives the work plans and reports from the Head of Internal Audit & Risk Management, helping to ensure that efficient and effective assurance arrangements are in place, and on which the opinion on the level of governance, risk management and internal control can be derived. The General Purposes Committee also keep under review and make recommendations to the Council on the Constitution, Member development and member support issues, Electoral Services updates, and polling district reviews.

The full terms of reference for the period that this report refers to are attached at appendix B.

During 2023/24, the membership of the Committee was as follows:

### **Councillors:**

Thomas Fawns (Chair)  
Ayten Guzel (Vice Chair)  
Nawshad Ali  
Nelly Gyosheva  
Sabri Ozaydin  
Alessandro Georgiou  
Joanne Laban  
Mike Rye  
Elisa Morreale

### **Independent Member:**

Peter Nwosu

## 4. General Purposes Committee

Work undertaken during 2023/24 supported the following key areas, the specific items considered at each committee meeting are shown at appendix A:

- Counter Fraud
- Audit & Risk Management Services (ARMS) progress update
- Adequacy of the internal control environment of the Council Internal Audit Plan and Audit Charter.
- Review of Polling districts and Polling Stations

- Schools Internal Audit.
- Governance Processes - Annual Governance Statement.
- Financial management - Annual statement of accounts.
- Risk Management - Risk Registers

#### **4. Internal Audit Service**

##### **Audit and Risk Management Service Progress Reports (ARMS)**

The Head of Internal Audit provided regular updates to the committee on Audits undertaken throughout the municipal year, and the outcomes of the Audits. The strategy was to take a risk-based approach and to target the limited audit resources at the highest priority corporate and schools services. The shared Head of Internal Audit left during the year and the Council's Deputy Head of Internal Audit took over the Head of Service role.

##### **2023/24 Internal Audit Charter and Draft 2023/24 Internal Audit Plan**

In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit and Risk Management has a responsibility to regularly review the Internal Audit Charter and, also to establish risk-based plans to determine the priorities of the Internal Audit activity, presenting these to General Purposes Committee for review and approval.

The Head of Service explained that the mission of an Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit team helps the London Borough of Enfield accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The Internal Audit Charter 2023/24 and Internal Audit Plan for 2023/24 were submitted and agreed by the General Purposes Committee on 27th March 2024.

#### **5. External Auditors**

The Council's external Auditors during 22/23 and previous years were BDO LLP. Representatives from BDO attend GPC meetings to provide updates on the outstanding and current statement of Accounts. The Council's external auditors are due to change soon. Grant Thornton will be the Council's external Auditors for 23/24 and attended committee and provided members with an update on the 27th March 2024.

## **6. Statement of Accounts and Annual Governance Statement 2020/21**

A core General Purposes Committee role is to review the financial statements, external auditor's opinion, and reports to members, and monitor management action in response to the issues raised by external audit.

The Audit and Accounts Regulations require local authorities to prepare their draft annual statement of accounts by 31 May each year. The 23/24 draft statement of accounts has been published in accordance with this timeline.

BDO presented to the committee updates on the 2019/20 audit, with a timeline of completion, and further progress will be monitored by the committee.

## **7. ANNUAL GOVERNANCE STATEMENT**

Members of the Committee considered the Annual Governance Statement for the financial year 2023/24.

The Council is required by the Accounts and Audit Regulations 2015 to review the effectiveness of its system of internal control at least once a year and include a statement on this review within its published annual financial accounts. It is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.

The AGS is a public statement that describes and evaluates the Council's overall governance arrangements during a particular financial year. It includes a self-assessment of the effectiveness of the governance arrangements, across all areas of activity, together with a statement of the actions being taken or required to address any areas of concern.

The General Purposes Committee considered and approved the Annual Governance Statement prepared by the Monitoring Officer.

## **8. Corporate Risk Registers**

The Council's Risk Management Strategy requires the regular review of the Council's risk registers. In accordance with the Strategy, the General Purposes Committee is responsible for monitoring the effective development and operation of risk management in the Council. The Corporate Risk Register is presented to the Committee for review and comment at regular intervals, as well as project risk registers for Meridian Water.

**9. Member Training and Development**

The committee is responsible for approving a programme of training and development activity for members. A programme was approved in October and will be reviewed each year by the committee.

**10. Work programme 2024/25**

The General Purposes Committee work programme for 2024/25 to be confirmed at the first meeting, and is attached at appendix C.

### Summary of General Purposes Committee Work Programme 2023/24

Date of Meeting	Reports Considered
28 June 23	<ul style="list-style-type: none"> <li>• 2022-23 Annual Counter Fraud Report</li> <li>• 2022-23 Annual Data Protection Officer Report</li> <li>• 2022-23 Annual Report on Contract Procedure Rules, Waivers and Procurement Services Update</li> <li>• BDO Progress Report on the External Audit of Accounts</li> <li>• ARMS Progress Update</li> <li>• Statement of Accounts</li> <li>• Annual Governance Statement 2022/23</li> <li>• Meridian Water Risk Register</li> </ul>
26 July 23	<ul style="list-style-type: none"> <li>• Invoice Payments – Controls in Place</li> <li>• 2022-23 Annual Internal Audit Report</li> <li>• General Purposes Committee Annual Report and Future Work Programme 23/24</li> <li>• ARMS Progress Update</li> </ul>
25 October 23	<ul style="list-style-type: none"> <li>• Review of Member T&amp;D and Induction Programme and future activity.</li> <li>• ARMS Progress Update</li> <li>• 2022-23 Annual Schools Internal Audit Report</li> <li>• Annual Corporate Complaints and Annual Statutory Complaints inc Annual report from LG Ombudsman</li> <li>• BDO Progress Report on the External Audit of Accounts / Update on statement of accounts</li> <li>• Review of Polling Stations</li> </ul>
31 Jan 24	<ul style="list-style-type: none"> <li>• Mid year review of Corporate Risk Register</li> <li>• Treasury Management Strategy Statement 2024/25</li> <li>• Meridian Water Risk Register</li> <li>• Annual Audit Letter (ISA 260) for 2019/20</li> <li>• BDO Progress Report on the External Audit of Accounts/Update on statement of accounts</li> </ul>
27 March 24	<ul style="list-style-type: none"> <li>• BDO Progress Report on the External Audit of Accounts</li> <li>• Grant Thornton Update on Planning 2023/24</li> <li>• 2024-25 Internal Audit Plan &amp; Internal Audit Charter</li> <li>• ARMS Progress Update</li> <li>• Annual Governance Statement 2023/24</li> </ul>

<b>GENERAL PURPOSES COMMITTEE</b>
<b>Appointed by:</b> Chair and Vice Chair appointed by Council
<b>Proportionality:</b> Applies
<b>Membership:</b> 9 councillors
<b>Chair and Vice Chair appointed by:</b> Council
<b>Public/Private meetings:</b> Public
<b>Quorum:</b> 3
<b>Frequency:</b> minimum 6 times a year
<p><b>Terms of reference:</b></p> <p>To consider:</p> <p>Internal Audit</p> <ul style="list-style-type: none"> <li>(i) The annual Internal Audit Report, including the Head of Internal Audit and Risk Management's Annual Opinion over the Council's assurance framework and internal control environment.</li> <li>(ii) The annual risk-based plan of internal audit work, from which the annual</li> <li>(iii) opinion on the level of governance, risk management and internal control can be derived. The plan will include the budget requirement and resource plan in terms of audit days needed to deliver the programme of work.</li> <li>(iv) The internal audit charter, defining the service's purpose, authority and responsibilities. The charter will cover arrangements for appropriate resourcing define the role of internal audit in fraud-related work and set out arrangements for avoiding conflicts of interest.</li> <li>(v) Regular updates from the Head of Internal Audit and Risk Management on audit and investigation activities. These will include progress on delivering the annual programme of work, emerging themes, risks and issues and management's responsiveness in implementing recommendations and responding to Internal Audit. In line with requirements of the Public Sector Internal Audit Standards, performance of the Internal Audit Service and the results of quality assurance and improvement activities will also be reported.</li> <li>(vi) Specific internal audit reports agreed between the Chair and the Executive Director Resources or the Chief Executive.</li> <li>(vii) The Council's policies on 'Raising Concerns at Work' and the 'Anti fraud and corruption strategy'.</li> <li>(viii) The implementation of relevant legislation relating to fraud and corruption.</li> </ul> <p>External Audit</p> <ul style="list-style-type: none"> <li>(i) The External Auditor's Annual Letter and relevant reports.</li> <li>(ii) Specific reports as agreed with the External Auditor.</li> <li>(iii) To comment on the scope and depth of external audit work and to ensure it gives value for money.</li> <li>(iv) The External Auditor's Report to those charged with governance from the audit of the accounts.</li> </ul>



#### Risk Management

- (i) The strategy for effective development and operation of risk management and corporate governance in the Council to ensure compliance with best practice.
- (ii) Departmental and corporate risk registers.

#### Procurement and Contracts

- (i) An overview of the Council's Constitution in respect of contract procedure rules, financial regulations and relevant codes of conduct and protocols.
- (ii) Reports on waiving of contract procedure rules.

#### Other issues

- (i) The Council's annual Statement of Accounts.
- (ii) Any matters referred to it from the Monitoring Officer's meetings.
- (iii) Any issue referred to it by the Chief Executive or a Director, or any Council body for determination.
- (iv) An Annual Report, for submission to Council, summarising the work done by the Committee over the past year and outlining work to be done in the year to come.
- (v) The Council's Annual Governance Statement and to formally agree it.
- (vi) Quarterly updates on the use of Regulation of Investigatory Powers Act 2000 (RIPA).
- (vii) Commissioned work from internal and external audit, the Executive Director Resources or other Council officers

#### Constitution

- (i) To keep under review and make recommendation to the Council advised by the monitoring officer, on the Constitution to ensure that the aims and principles of the Constitution

#### Members Support

- (i) Making recommendations to the Council for the adoption or revision of a scheme of allowances, training, and development for Members.
- (ii) To consider issues and develop proposals relating to all aspects of Members' support, including:
  - Administrative and ICT support;
  - Members' enquiries; and
  - Members' wellbeing and office accommodation support.

#### Elections

- (i) To review and agree the electoral arrangements in the borough relating to the designation of polling districts and polling places in accordance with any provisions of the Representation of the People Acts.
- (ii) To receive reports from the Returning Officer on the conduct of major elections in the Borough, and to make relevant recommendations to Council as necessary in respect of the areas which come within the

Council's jurisdiction.

- (iii) To receive reports from the Electoral Registration Officer on the administration of the Register of Electors and the absent voting process in the Borough, and to make relevant recommendations to Council as necessary in respect of the areas which come within the Council's jurisdiction.
- (iv) To consider consultation papers from government and other bodies (such as The Electoral Commission) on aspects of the electoral process, and to agree the Council's formal responses to such consultations.

Appendix C

**LONDON BOROUGH OF ENFIELD – General Purposes Committee Work Programme 2024/25**

<b>Date of Meeting</b>	<b>Agenda Item</b>	<b>Lead Officer</b>	<b>Comments</b>
<b>Weds 26 June 2024</b>	GPC Annual Work Programme 2024/25	Claire Johnson	
	BDO Progress Report on the External Audit of Accounts for 2019/20	BDO/Annette Trigg	
	Draft Statement of Accounts 2023/24	Annette Trigg	
	Grant Thornton Audit Plan for External Audit of Accounts 2023/24	Annette Trigg/ Grant Thornton	
<b>Weds 24 July 2024</b>	Annual Internal Audit and Counter Fraud Report for 2023/24	Marion Cameron	
	Annual Schools Internal Audit Report for 2023/24	Marion Cameron	
	Meridian Water Risks and Issues Report	Penny Halliday	
	Grant Thornton VFM opinion	Annette Trigg/ Grant Thornton	
	Update and amendment of the Councils Contract Procedure Rules	Claire Reilly/ Michael Sprosson	
	Review of the Member T&D Programme	Claire Johnson	
	Annual Report on Contract Procedure Rules, Waivers and Procurement Services Update for 2023/24	Claire Reilly/ Michael Sprosson	

<b>Date of Meeting</b>	<b>Agenda Item</b>	<b>Lead Officer</b>	<b>Comments</b>
<b>Weds 23 October 2024</b>	6 Monthly Progress Report on Internal Audit and Counter Fraud Activity	Marion Cameron	
	Internal Audit Plan 24/25 (Q3 and Q4)	Marion Cameron	
	Annual Review of the Corporate Risk Register	Andrea Kilby	
	New Corporate Risk Policy	Andrea Kilby	
	Annual Data Protection Officer Report for 2023/24	Rezaur Choudhury/ Andrea Kilby	
	Annual Report on Corporate Complaints and Statutory Complaints including the Annual report from LG Ombudsman 2023/24	Lee Shelsher/Will Wraxall	
	Grant Thornton Progress Report on the External Audit of Accounts for 2023/24	Grant Thornton/Annette Trigg	
	Review of Polling Stations	Lee-Marie Matthews	
<b>Weds 29 Jan 2025</b>	Meridian Water Risk Register and Issues report	Penny Halliday	
	Grant Thornton Progress Report on the External Audit of Accounts for 2023/24	Grant Thornton/ Annette Trigg	
<b>Date of Meeting</b>	<b>Agenda Item</b>	<b>Lead Officer</b>	<b>Comments</b>
<b>Weds 26 March 2025</b>	Approval of the Internal Audit Charter 2025	Marion Cameron	
	Internal Audit Plan 2025/26 (Q1 and Q2)	Marion Cameron	
	6 Monthly Progress Report on Internal	Marion Cameron	

Audit and Counter Fraud Activity		
Grant Thornton Update on 2023/24 Accounts	Annette Trigg/ Grant Thornton	
Mid-year review of Corporate Risk Register	Andrea Kilby	
BDO Progress Report on the External Audit of Accounts	Annette Trigg/BDO	
Annual Governance Statement 2024/25	Terry Osborne/Ludmilla lyavoo	<i>(needs to go to GPC annually and signed off by 31 May)</i>

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# London Borough of Enfield 2019/20 Audit

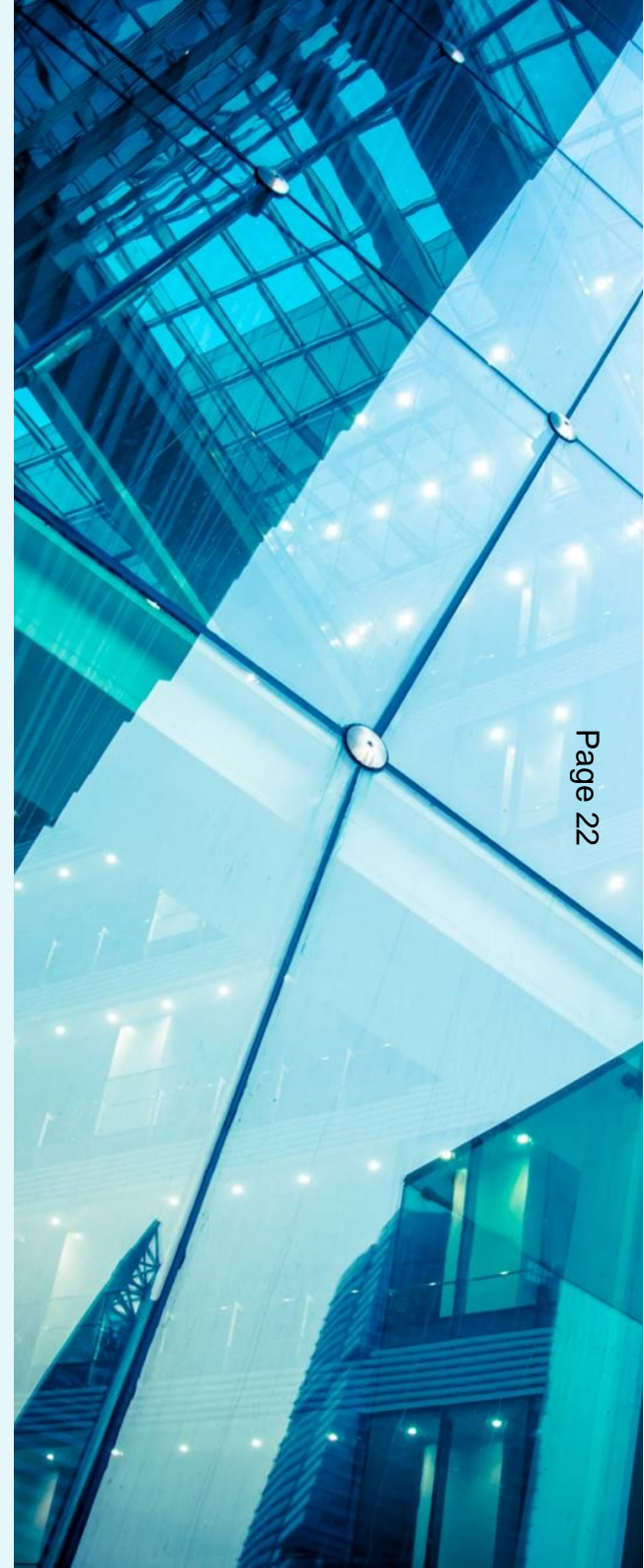
Update to Assurance Board

June 2024

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# Welcome

## Executive Summary

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This Update Report provides a summary of the key issues arising from our audit of London Borough of Enfield (the ‘Council’) for year ended 31 March 2020. The report raises issues of a historic nature; we would like to acknowledge the high level of engagement from the current finance team in progressing and supporting the audit process. We also recognise the improvement to accounts quality control arrangements more generally as reported to the January 2023 General Purposes Committee (GPC) through our ISA 265 progress update.

### Financial statements

As reported to the GPC on 27 March 2024, work on finalising the 2019/20 audits of the main Council’s accounts and of the Pension Fund was at that point in time still underway.

Our work is now nearing completion, testing is being closed down and review processes are in progress. We will present an updated Audit Completion Report to the 26 June 2024 meeting of the General Purposes Committee.

The Financial Statements section of this report sets out the key findings arising from our audit. These will be set out more formally in our Audit Completion Report to GPC.

### Value for money

We have also completed our work in respect of value for money in relation to 2019/20 as well and will report our findings in full in the Audit Completion Report. We have set out the key matters in the Value for Money Section of this report.

This has been set out in more detail on page 6.

### Other reporting

We did not consider it necessary to use our auditor powers or report on other matters. We continue to progress outstanding objections, with all 3 due to be completed before the end of September 2024.

The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (April 2015). This report has been prepared solely for the use of London Borough of Enfield In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.



**Ciaran McLaughlin**  
Key Audit Partner

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# Financial statements

## Financial statements

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### Expected Audit Opinion

We propose issuing a qualified, limitation of scope opinion on the financial statements following the 26<sup>th</sup> June meeting of the General Purposes Committee.

Our audit report will confirm that in our opinion, except for the possible effects of the matter relating to intangible assets (explained in the limitation of scope section below) the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

The qualification relates to in the intangible assets only.

### Limitation of scope - Intangible Assets

As noted in previous updates, the International Financial Reporting Interpretations Committee (IFRIC) issued an agenda decision in respect of accounting for Cloud Computing / Software as a Service (SaaS) arrangements, noting significant diversity in practice.

The IFRIC agenda decision clarifies the correct accounting treatment for these arrangements. From our experience of assessing the implications of the IFRIC agenda decision for other public sector entities, there is a likelihood that some previously capitalised items will no longer meet the definition of capital. As IFRIC agenda decisions apply retrospectively, this would result in a prior period adjustment if material.

The Council's asset register for 2019/20 contains an opening gross book value of £43.9m and a closing gross book value of £47.0m. Net book values are £30.6m and £26.1m respectively.

To establish the extent to which the IFRIC agenda decision may impact the Council's balances, the Council performed a high level review of its intangible assets register. While the Council's initial review did not indicate that SaaS was likely to be material issue, the Council have not been able to provide evidence to support audit reperformance of this process. This mainly arises from absence of supporting records, linked to document retention policies, from when the assets were initially capitalised, and a lack of inherent knowledge about the contractual arrangements for this expenditure, which would be needed to make an informed assessment as to its correct accounting treatment.



# Financial statements

## Financial statements

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The uncertainty created by this potentially impacts the entire intangible assets balance. Subject to clearance from internal quality review processes we expect our opinion to be modified in respect of this matter by way of a 'limitation of scope'.

### Prior Period Adjustments

The completion of our additional work around Property, Plant and Equipment has confirmed a prior period adjustment to the accounts in respect of schools and garages valuations. We have agreed the expected adjustments with the finance team, who have provided revised accounts in respect of these changes.

### Covid 19 material valuation uncertainty

The Council's draft accounts include a Covid-19 material valuation uncertainty in relation to investment property and elements of property, plant and equipment. This reflected advice issued to valuers by the Royal Institution of Chartered Surveyors (RICS) at the time and resulted in valuers advising caution when placing reliance on valuations. However, across the industry material valuation uncertainties have subsequently been lifted. We are assessing the extent to which the lifting of this uncertainty applies retrospectively. While this would not impact the values included in the Council's accounts, such retrospective application would remove the need for a material valuation uncertainty to be disclosed, or for a corresponding emphasis of matter to be included in our opinion. An emphasis of matter is not a qualification, rather it draws a reader's attention to a matter already disclosed in the financial statements by management.

### Accounts review

A revised set of accounts was provided on 14 May 2024. This is being reviewed by the audit team, and the Council are currently updating the accounts based on feedback provided, and for financial reporting queries.

### Testing - other areas

Our additional testing is substantively complete with a small number of follow up queries in progress. These are unlikely to materially impact our conclusions and are expected to be resolved by the time of the General Purposes Committee. Additional work has identified further misstatements in relation to housing benefit debtors, housing benefit expenditure, grant income and deferred income. None of these were individually material or material in aggregate, and will be reported in our final tally of unadjusted misstatements in the audit completion report.



# Financial statements

## Financial statements

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### Next steps

- Completion of internal review and moderation processes around the:
  - Proposed prior period adjustment, including infrastructure amendments/panel
  - SaaS Limitation of scope
  - VFM adverse conclusion
- Remaining partner, external quality and financial reporting review and clearance
- Receipt and review of final accounts
- Final Audit Completion Report and letter of representation





# Value for Money

## Summary

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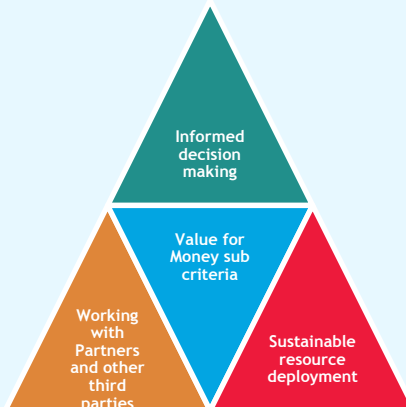
### Scope

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For 2019/20 this is known as the Value for Money conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria as set out below:



### Our Work

AGN03 requires us to disclose our views on the significant qualitative aspects of the Councils arrangements for delivering economy, efficiency and effectiveness. We have focused our work on the significant risks we identified in the Council's arrangements and the findings arising from our audit work on the financial statements.

### Risk Assessment

As part of our Audit Completion Report presented in October 2021 we detailed our findings in relation to two VFM risks, being 'Sustainable Finances' and 'Meridian Water and other regeneration projects'. This work did not identify any significant findings.





# Value for Money

## Summary

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### Value for Money conclusion

We have updated our risk assessment in connection with findings identified from the completion of the audit and have assessed the extent of findings in relation to the accounts and accounts preparation process.

This includes:

- ISA 265 report issued noting significant control deficiencies identified during the audit
- Significant adjustments, including prior period adjustments
- Limitation of scope in relation to Software as a Service (see above).

The significance of these issues suggests a weakness in governance arrangements, to the extent that inaccurate or incomplete financial information may undermine informed decision making and the delivery of strategic priorities. The scale and number of these issues, both from a control perspective and as evidenced by the number of adjustments to the accounts, means we are not able to satisfy ourselves that the body has proper arrangements in place to secure value for money. Our audit report will be modified to reflect this as an 'adverse' conclusion on value for money arrangements.

This does not impact our overall 'true and fair' opinion on the financial statements, to the extent that except for the limitation of scope noted above, we expect to be able to conclude that the accounts are not materially misstated. As reported in our ISA 265 progress update in January 2023, we recognise that significant progress has been made in implementing findings from our ISA 265 report.



For more information:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the ICB and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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## London Borough of Enfield

<b>Report Title</b>	2023-24 Statement of Accounts
<b>Report to</b>	General Purposes Committee
<b>Date of Meeting</b>	26 <sup>th</sup> June 2024
<b>Cabinet Member</b>	Cllr Tim Leaver, Cabinet Member for Finance
<b>Executive Director / Director</b>	Annette Trigg (Director of Finance – Corporate)
<b>Report Author</b>	Fay Hammond (Executive Director – Resources) <a href="mailto:fay.hammond@enfield.gov.uk">fay.hammond@enfield.gov.uk</a>
<b>Ward(s) affected</b>	
<b>Key Decision Number</b>	Non-Key
<b>Classification</b>	Part I Public
<b>Reason for exemption</b>	n/a

### Purpose of Report

1. This report notes the publication of the draft 2023/24 Statement of Accounts and the national status of unaudited accounts.

### Recommendations

I.	To note the draft 2023/24 Statement of Accounts and the publication of the accounts by the deadline of 31 May 2024.
II.	To note the current national status of the unaudited accounts.
III.	To note that at the July GPC in accordance with good practice, members will be asked to review the draft 2023/24 accounts.

### Background and Options

2. The Council published the 2023/24 Statement of Accounts on 31<sup>st</sup> May 2024 in accordance with the deadline. As at Monday 3<sup>rd</sup> June the national percentage of published accounts for 2023/24 was 41% (25% for outer London and 50%

for inner London). This deadline has been met whilst continuing to deal with the ongoing BDO audit for 2019/20 and the initiation of work for the 2023/24 audit planning with Grant Thornton. The achievement of the deadline was a result of planning early, improvements in processes and establishing a more stable team within the finance department.

3. The draft statement of accounts (which includes the Pension Fund Accounts and the Annual Governance Statement) can be accessed via this link from the Council's website.

<https://www.enfield.gov.uk/services/your-council/statement-of-accounts>

4. It should also be noted that, with 2019/20, 2020/21, 2021/22 and 2022/23 accounts remaining open, the opening balances for the 2023/24 financial year have not been formally signed off and remain subject to review.
5. It is good practice to brief Committee on the draft accounts at the time of submission to the external Audit. The Committee will be required to approve the Statement of Accounts later in the year when the audit is concluded, and the opinion issued. It is proposed that a formal report and review of the draft 2023/24 Statement of Accounts is undertaken at the July GPC meeting.
6. In order to address the national crisis of delayed external public sector audits, the Department for Levelling up (DLUCH) consulted on a proposal to clear the backlog. For all larger authorities, such as Enfield, it was proposed to clear the historical audit opinions up to and including financial year 2022/23 by 30 September 2024. However, this legislation has been delayed by the snap election and therefore, further information is awaited. If confirmed, these proposals would require external auditors (BDO) to complete their audits even if they have been unable to obtain sufficient appropriate audit evidence in time. This would result in an auditor having to issue a modified opinion, either through qualification or through issuing a disclaimer of opinion. The "backstop" legislation, if agreed, would apply to the draft, unaudited Statement of Accounts for Enfield for 2020/21, 2021/22 and 2022/23.
7. The DLUCH proposal also included a "recovery" phase with extended timelines for the external audits for 2023/24 to 2027/28. However, Grant Thornton have initiated audit planning for 2023/24 as set out in the audit plan. Therefore, although the historical audits remain outstanding, it is proposed that the GPC review the 2023/24 draft Statement of Accounts at the July GPC.

### **Preferred Option and Reasons For Preferred Option**

8. This is a statutory requirement.

### **Relevance to Council Plans and Strategies**

9. The Council's Plan is delivered through resilient finances. The external audit is a process of testing and challenge, undertaken by an independent and external body against the local government statutory accounting framework, to ensure the annual accounts present a true and fair view of the Council's financial position.

## **Financial Implications**

10. There are no direct financial implications beyond that an unqualified set of Accounts demonstrates that the Council is a 'going concern' and that any audit changes may materially affect the underlying net worth of the entity.

## **Legal Implications**

11. The responsibilities for the framework within which local authority audits are conducted is the Local Audit and Accountability Act 2014. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the 2014 Act. Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. A Code of Audit Practice came into force on 1 April 2020, after being approved by Parliament. The new Code applies to audits of local bodies' 2020-21 financial statements onwards: The detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code are being drafted.
12. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.
13. The Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the Council.
14. The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
  - Statements of Accounts prepared in accordance with the statutory framework by the Accounts and Audit (England) Regulations 201
  - The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Local Audit and Accountability Act 2014.

## **Equalities Implications**

15. There is no Equality impact arising from this report.

## **Environmental and Climate Change Implications**

16. There are no Environmental and Climate Change implications arising from this report.

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[020 8379 2662]

## **Background Papers**

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# External Audit Plan

London Borough of Enfield

Year ending 31 March 2024

26 June 2024

**Indicative Plan** – subject to the completion of our outstanding planning work

# Contents



## Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Key matters

## National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

## Audit reporting delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) in March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

## Other local issues

The Council faces increasing financial challenges over the next few years. The council had a plan in place to achieve a balanced budget for 2023/24, this had not been without significant challenges. The council reported a significant overspend against its 2023/24 revenue budget by **£25.8 million**, the majority of which was forecasted to be funded from earmarked reserves. The Council's Medium Term Financial Plan Summary 2023/24 – 2026/27 indicates a subsequent unfunded budget gap of **£82 million** (25/26 and 26/27 combined). The General Fund reserve balance as at 31.03.24 is at **£14 million** with earmarked reserves of **£47 million**. The Council overall financial position indicates challenges to its financial sustainability in the medium term. As your new auditor, in planning our audit, we have taken account of this local context in designing a local audit programme which is tailored to your risks and circumstances.

# Key matters - continued

## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Executive Director of Resources (s151 Officer).
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Executive Director of Resources quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your General Purposes Committee (GPC), to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work. Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness. We will continue to provide you and your General Purposes Committee (GPC) with sector updates providing our insight on issues from a range of sources and other sector commentators via our General Purposes Committee (GPC) updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector. Officers at the Council attended the workshop held in February 2024.
- With the ongoing financial pressures being faced by local authorities; in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls. We have identified other risks, which are discussed in greater detail in this report.



# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of London Borough of Enfield ('the Council') for those charged with governance.

## Respective responsibilities

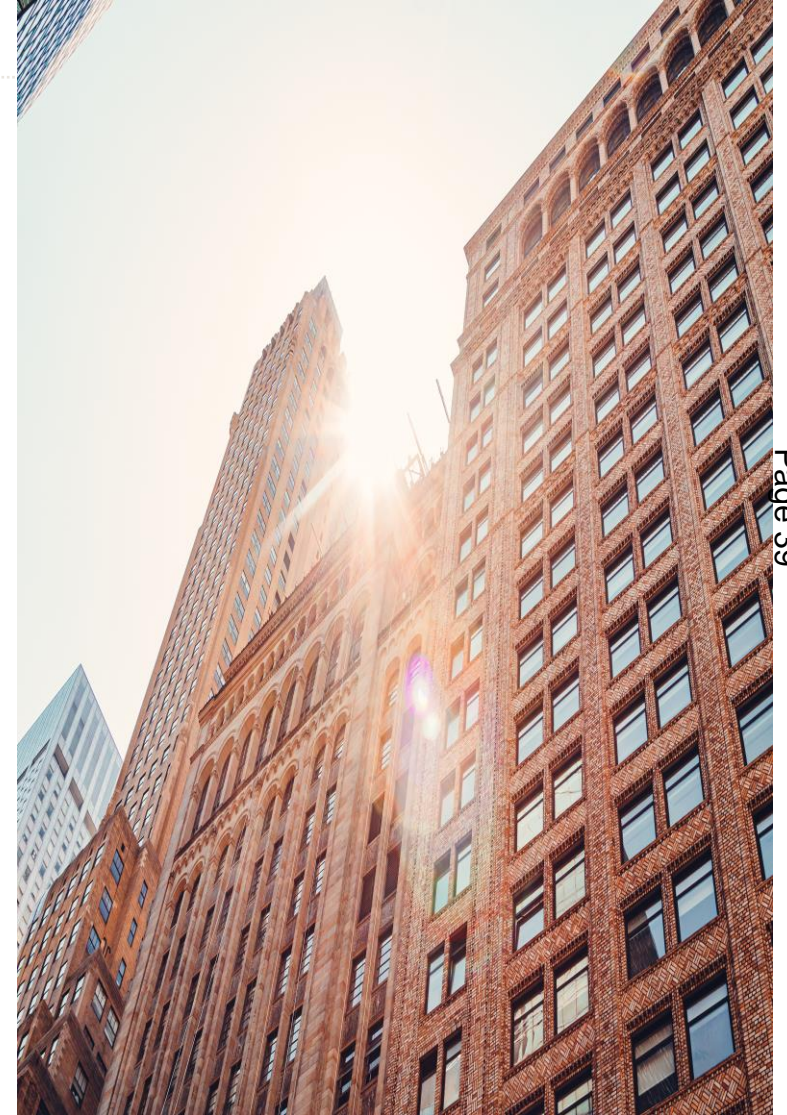
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the General Purposes Committee (GPC)); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the General Purposes Committee (GPC) of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on an initial understanding of the Council's business and is risk based.



# Introduction and headlines

## Indicative significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The risk of management override of controls
- The risk that valuation of land and buildings, schools, council dwellings and Surplus assets in the accounts are materially misstated
- The risk that the investment properties in the accounts are materially misstated
- The risk that the valuation of the net pension fund liability in the accounts is materially misstated.
- The risks that expenditure prevalent at year end are materially misstated. This risk is elevated due to the lack of audit procedures on the previous sets of accounts.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Indicative materiality

We have determined planning materiality to be **£13.60 million** for the group and **£13.52 million** for the Council. This equates to approximately 1% of total gross operating costs for 2022/23 for the group and council.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at **£680,000** for the group and **£676,000** for the council.

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money is on going and we will continue to update our risk assessment until we issue our Auditor's Annual Report.

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of its significant subsidiary undertakings. Our understanding to date of the Group's significant subsidiaries as assessed by management are:

- London Borough of Enfield (the Council)
- There are two subsidiaries consolidated into the Group Accounts and they are
- Housing Gateway Ltd
  - Lee Valley Heat Network Ltd (renamed to 'Energetix Ltd')

Our initial assessment is that both the subsidiaries are material components as they are likely to include at least one group significant risks.

There is one non-significant joint venture as follows.

- Montagu 406 Regeneration LLP

This is not material to the group.

We will keep this under review as we progress with the audit.

## Audit logistics

Our planning visit took place between March and April 2024 and our final visit will take place during July to September 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our proposed fee for the audit of the Council is set out in page 22 of this report, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Indicative significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240	Group and Council	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of the Council, we have determined that it is likely that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of public sector bodies, including London borough of Enfield, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the Council at the time of our planning however we will keep this assessment under review.</p> <p>We have however not rebutted the risk for the group because of consolidation of a material subsidiary Housing Gateway Ltd. The risk is limited to only material subsidiary Housing Gateway Ltd as Revenue for other subsidiaries are not material to the group.</p> <p>To address this risk, we plan to review the work performed by the component auditors for Housing Gateway Ltd on revenue. To do so, we will take the following steps:</p> <ul style="list-style-type: none"> <li>- communicate with the component auditor to discuss any identified fraud risks and obtain additional information on their audit procedures.</li> <li>- evaluate the component auditor's competence, capabilities, and objectivity</li> <li>- review the work performed by the component auditor to ensure that it is of sufficient quality and addresses the relevant fraud risks.</li> <li>- assess the sufficiency and appropriateness of the component auditor's work to determine whether it is suitable to rely on for the purpose of the group audit.</li> </ul>

# Indicative significant risks identified (cont.)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Risk of fraud related to expenditure recognition</b> PAF Practice Note 10</p>	Group and Council	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)</p> <p>We have not deemed it appropriate to rebut the presumed risk of fraudulent financial reporting in respect of expenditure, especially as you continue to face pressures to meet required financial targets.</p> <p>The risk is heightened particularly around year end transactions due to lack of audit procedures in 22-23, without adequate audit procedures in place, there is a higher likelihood of errors or fraud going undetected, which could have a significant impact on the process of recording transactions and financial reporting</p> <p><b>Pinpointing the risk:</b></p> <p>We plan to pinpoint the significant risk around the following:</p> <ul style="list-style-type: none"> <li>• The risk that non-pay expenditure streams is not complete.</li> <li>• The risk that the accrued liabilities on balance sheet date do not exist or are not accounted for accurately or include fraudulent transactions.</li> </ul> <p>As payroll expenditure is well-forecast and agreeable to underlying payroll systems, there is no increased risk of material misstatement for this expenditure stream. As such, the increased risk is considered for only non-pay expenditure streams prevalent at year end.</p>	<p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>Having considered the nature of the expenditure streams of the Council, and on the same basis as that set out above for revenue, we do not consider this to be a significant risk however we do consider expenditure prevalent around year end as a significant risk. To address this risk, we will:</p> <ul style="list-style-type: none"> <li>• evaluate the design and implementation effectiveness for operating expenses system;</li> <li>• search for unrecorded liabilities by performing a substantive sample test of invoices raised on the accounts payable system post-period end; and</li> <li>• search for unrecorded liabilities by reviewing cash payments post period end.</li> </ul>

# Indicative significant risks identified (cont.)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Management override of controls</b> ISA (UK) 240	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>The Council faces external scrutiny of their spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test a sample of unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> <li>• We do not consider management override of controls related to Housing Gateway Ltd and Lee Valley Heating Network as a significant risk. Significant risk for group includes the council and the group.</li> </ul>

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Indicative significant risks identified (cont.)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Group and Council	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>understand the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work;</li> <li>assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;</li> <li>assess the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities;</li> <li>test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary;</li> <li>undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>obtain assurances from the auditor of the Council's Pension Fund auditors as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements.</li> </ul>

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Indicative significant risks identified (cont.)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and building, council dwelling and surplus assets	Group and Council	<p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Key assumptions and judgements will include managements impairment assessments, valuations based on historic data, valuations of properties that have not been subject to inspection and those assets that have change in use in the year.</p> <p>Management will need to ensure that the carrying value in the Council's (and group's) financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.</p> <p>We therefore identified valuation of land and buildings and council dwellings as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met;</li> <li>• challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuation expert to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations;</li> <li>• test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.</li> </ul>

# Indicative significant risks identified (cont.)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of Investment Properties</b>	Group and Council	<p>The Council revalue its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>The key assumption for investment property is the yield rates utilised by the valuer and our testing will therefore focus on this area.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuations were carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, which will include engaging our own valuation expert to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations;</li> <li>• focus our testing on the yield rates used by the valuer; and</li> <li>• test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.</li> </ul>



# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
London Borough of Enfield (the Council)	Yes		<ul style="list-style-type: none"> <li>Risks are set out in pages 7 – 10 of this report</li> </ul>	Full scope audit performed by Grant Thornton UK LLP
Housing Gateway Ltd (material component)	No		<ul style="list-style-type: none"> <li>Risks are set out in pages 7 – 10 of this report</li> </ul>	Audit of one or more classes of transactions, account balances, or disclosures relating to the likely significant risks by reviewing work performed by Moore Northern Home Counties Limited (component auditors). The nature, time and extent of our involvement in the work of the subsidiary auditors will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the auditor's audit documentation and meeting with appropriate members of management.
Lee Valley Heat Network Operating Company Ltd.(Material Component)	No		<ul style="list-style-type: none"> <li>Risks are set out in pages 7 – 10 of this report</li> </ul>	Audit of one or more classes of transactions, account balances, or disclosures relating to the likely significant risks by reviewing work performed by Xeinadin Audit Limited (component auditors). The nature, time and extent of our involvement in the work of the subsidiary auditors will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the auditor's audit documentation and meeting with appropriate members of management.
Montagu 406 Regeneration LLP	No		<ul style="list-style-type: none"> <li>None as not material to the group</li> </ul>	Analytical procedures at group level

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement [and any other information published alongside your financial statements] to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Our approach to indicative materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p><b>Determination</b></p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and the Council for the financial year, materiality at planning stage for our audit is <b>£13.60 million</b> for the group and <b>£13.52 million</b> for the Council. This equates to approximately 1% of total gross operating costs for the 2022/23 for the group and the council.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;</li> <li>– assist in establishing the scope of our audit engagement and audit tests;</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul>

# Our approach to indicative materiality (cont.)

Matter	Description	Planned audit procedures
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p><b>Other communications relating to materiality we will report to the General Purposes Committee (GPC)</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the General Purposes Committee (GPC) any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the General Purposes Committee (GPC) any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than <b>£680,000</b> for the group and <b>£676,000</b> for the council. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the General Purposes Committee (GPC) to assist it in fulfilling its governance responsibilities.</p>

# Our approach to indicative materiality (cont.)

	Group £	Council £	Qualitative factors considered
Materiality for the financial statements	£13,605,000	£13,523,000	The following factors were considered when determining materiality for the Group and Council
Performance Materiality	£6,802,500	£6,761,500	<ul style="list-style-type: none"> <li>• The financial information available at the time of drafting this report</li> <li>• The complexity of the group structure</li> </ul>
Triviality	£676,200	£680,300	<ul style="list-style-type: none"> <li>• Our understanding of the internal controls in place.</li> <li>• Our review of your predecessor's auditors' reports</li> </ul>



# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
SAP - General Ledger system	Financial reporting	To test design and implementation of the ITGCs. This includes: - Security management - Change management - Batch Scheduling

# Value for Money arrangements

## Approach to Value for Money work for the period ended 31 March 2024

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



### Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



### Governance

How the body ensures that it makes informed decisions and properly manages its risks.



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the following page in this report, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out below.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.



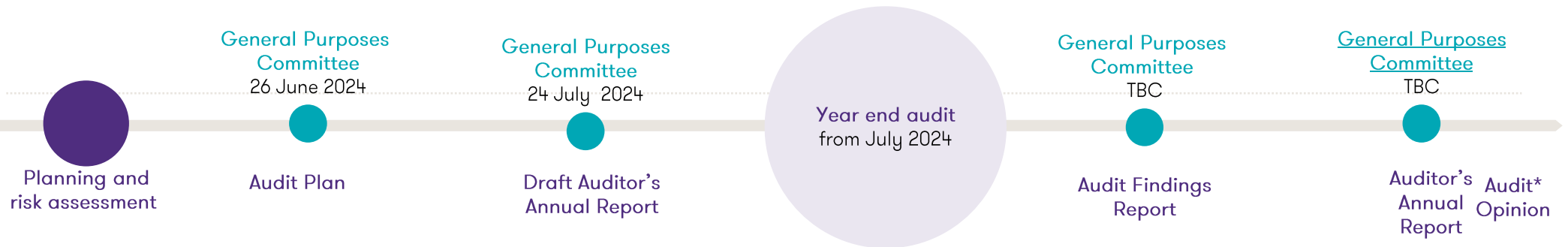
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# Risks of significant VFM weaknesses – continued

2023/24 is the first year we are reviewing your Value for Money arrangements. Your former external auditor will be producing a combined report for prior years (2020/21 to 2022/23) but this is not yet available. For the sake of efficiency, we have commenced our work and formed our own view on the risks of significant weaknesses without reliance on prior year reports. We have undertaken detailed planning work and will our risk assessment is ongoing. This means that we will continue our review of your arrangements and undertake additional procedures as necessary relating risk assessment.

We report our value for money work in our Auditor's Annual Report. Any confirmed or additional significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

# Audit logistics and team



## Matt Dean, Key Audit Partner

Matt will be the main point of contact for the Chief Executive, Section 151 Officer and Members. Matt will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Members and the General Purposes Committee. Matt will ensure our audit is tailored specifically to you and is delivered efficiently. Matt will review all reports and the team's work.



## Ajay Jha, Audit Manager

Ajay will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Matt will attend General Purposes Committees, undertake reviews of the team's work and draft reports ensuring they remain clear, concise and understandable to all. Ajay will also work with Internal Audit to secure efficiencies and avoid any duplication across the audit.



## Terence Bershu, Audit In-Charge

Terence will lead the onsite team and will be the day to day contact for the audit. Terence will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Terence will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work.

## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

\*subject to all audit queries and work being completed

# Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. The scale fee set out in the PSAA contract for the 2023/24 audit is £445,661.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

## Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

# Audit fees and updated Auditing Standards(cont)

	Proposed fee 2023/24
London Borough of Enfield – PSAA Scale Fee for 2023-24	£445,661
Audit expert fees – (for the valuation of land & buildings, schools, surplus assets, council dwellings & Investment Properties)	£TBC
ISA 315 (this has already been agreed with PSAA as part of the fee process)	£12,550
Potential impact of delayed 2022/23 audit opinion	TBC
<b>Total Proposed Audit Fee</b>	<b>TBC</b>

## Previous year

If the opinion on the 2022/23 (including 2021/2022 and 2020/2021) audit is disclaimed due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise.

## Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

## Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for ‘on balance sheet’ by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

## Council’s systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

## Planning enquiries

As part of our planning risk assessment procedures, we will be making enquiries of management on the implementation of IFRS 16. We would appreciate a prompt response to these enquires in due course.

## Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \(publishing.service.gov.uk\)](#)

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and we will make enquiries of component audit firms providing services to the group and Council.

# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit related services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees	Threats	Safeguards
<b>Audit related</b>			
Certification of Teacher's Pension	£20,000	<ul style="list-style-type: none"> <li>- Self-Interest (because this is a recurring fee)</li> <li>- Self review</li> <li>- Management</li> </ul>	The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of and relative to Grant Thornton UK LLP's turnover overall is not significant. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with informed management, however, we will not be performing any management functions as a result of this work. We are satisfied that there is sufficient safeguards in place to mitigate the threats.
Certification of Housing benefits subsidy	£43,000	<ul style="list-style-type: none"> <li>- Self-Interest (because this is a recurring fee)</li> <li>- Self review</li> <li>- Management</li> </ul>	The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of and relative to Grant Thornton UK LLP's turnover overall is not significant. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with informed management, however, we will not be performing any management functions as a result of this work. We are satisfied that there is sufficient safeguards in place to mitigate the threats.
Certification of Pooling of Housing Capital Receipts	£20,000	<ul style="list-style-type: none"> <li>- Self-Interest (because this is a recurring fee)</li> <li>- Self review</li> <li>- Management</li> </ul>	The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of and relative to Grant Thornton UK LLP's turnover overall is not significant. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with informed management, however, we will not be performing any management functions as a result of this work. We are satisfied that there is sufficient safeguards in place to mitigate the threats.

# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit related services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees	Threats	Safeguards
<b>Audit related</b>			
CFOi services to the Council	£13,500	-Self-Interest (because this is a recurring fee) -Self review -Management	The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of and relative to Grant Thornton UK LLP's turnover overall is not significant. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with informed management, however, we will not be performing any management functions as a result of this work. We are satisfied that there is sufficient safeguards in place to mitigate the threats.



# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud ( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements ( not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

# Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

## **Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)**

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

## **Step 2 - Further Reminder (within two weeks of deadline)**

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

## **Step 3 - Escalation to Chief Executive (within one month of deadline)**

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

## **Step 4 - Escalation to the General Purposes Committee (GPC) (at next available General Purposes Committee (GPC) meeting or in writing to General Purposes Committee (GPC) Chair within 6 weeks of deadline)**

If senior management is unable to resolve the delay, we will escalate the issue to the General Purposes Committee (GPC), including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

## **Step 5 – Consider use of wider powers (within two months of deadline)**

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

# Addressing the local audit backlog - consultation

## Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

**Phase 1: Reset** involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

**Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

**Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- FRC landing page - [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations)
- DLUHC landing page - [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- NAO landing page - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice)

## Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect.

# Preparing for the backstop

For any outstanding years up to 2022/23, local authorities should:

- Prepare, adopt and publish financial statements in line with Code and Statutory requirements (Accounts and Audit Regs 2015 – ‘true and fair’)
- Support statements with a proper set of working papers and audit trail
- Work with the auditor to support the completion of outstanding audit work (where possible) and for the completion of Value for Money Work.

For 2023/24, local authorities should:

- Agree a timetable and working paper requirements with the auditor
- Put project planning and key milestones in place
- Consider the implications of CIPFA consultation (property valuation and pensions)
- Ensure the General Purposes Committee (GPC) is properly briefed and prepared

As your auditor we will:

- Keep you updated on all national developments
- Set out clear expectations of the information we will require to conclude our work
- Agree a plan for the delivery of our work programme with a commitment to key milestones

## Next steps

We await the government’s response to the consultation. We will discuss next steps including any implications for your audit once we have further information.



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# London Borough of Enfield Pension Fund – Indicative Audit Plan

Year ending 31 March 2024

**26 June 2024**

**Indicative Plan – subject to  
completion of outstanding  
planning**

# Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



# Key matters

## National context

The national and international economic context continues to present challenges for pension funds. Inflationary pressures at home and abroad and wider geo-political issues mean there is volatility in global markets with a consequential impact on the investments held by pension funds.

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 to 2025/26. For the London Borough of Enfield Pension Fund, the valuation was undertaken by Aon, as at 31 March 2022, and reported that the fund had a surplus of **£52.6 million** and a funding level of 103.6%. This was an increase from the previous 31 March 2019 valuation that derived a surplus of **£39.3 million** and a funding level of 103.4%.

In November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of their consultation on local government pension scheme investments. The government will now implement proposals which include revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, regulation to require funds to set a plan to invest up to 5% of assets in levelling up the UK and revised investment strategy statement guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity. The Chancellor has also outlined plans that local government pension funds will be invested in pools of £200 billion or more by 2040.

DLUHC have also consulted on proposals to require local government pension scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Climate risk (TCFD) reporting in the LGPS is expected to commence from 1 April 2024, with first reports due in late 2025.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

## Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

Local authorities which administer local government pension funds are required to publish full pension fund accounts in the same document as their local authority accounts. This requirement means that the audited accounts of the host authority and related fund cannot be finalised until both audits have been completed. This co-dependency has compounded delays in the conclusion of pension fund audits and publication of audited accounts and annual reports.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

# Key matters - continued

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## Our Responses

- In 2023, PSAA awarded a contract of audit for the London Borough of Enfield Pension Fund to begin with effect from 2023/24. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Executive Director of Resources. Page 15 of this Audit Plan sets out the four contractual stage payments for this fee, with payment based on the delivery of specified audit milestones.
- To ensure close working with our local audited bodies and an efficient audit process, our preference as a firm is to work on site with you and your officers. We will discuss logistics and arrangements with management to provide an efficient and effective audit. This is also in compliance with our delivery commitments in our contract with PSAA.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your General Purposes Committee, to brief them on the status and progress of the audit work to date.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- There is an increased incentive and opportunity for organizations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls. Refer to Page 7.
- The audit plan and audit findings report will be shared with the Pension Fund Committee as well as the General Purposes Committee.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the London Borough of Enfield Pension Fund ('the Pension Fund') for those charged with governance.

## Respective responsibilities

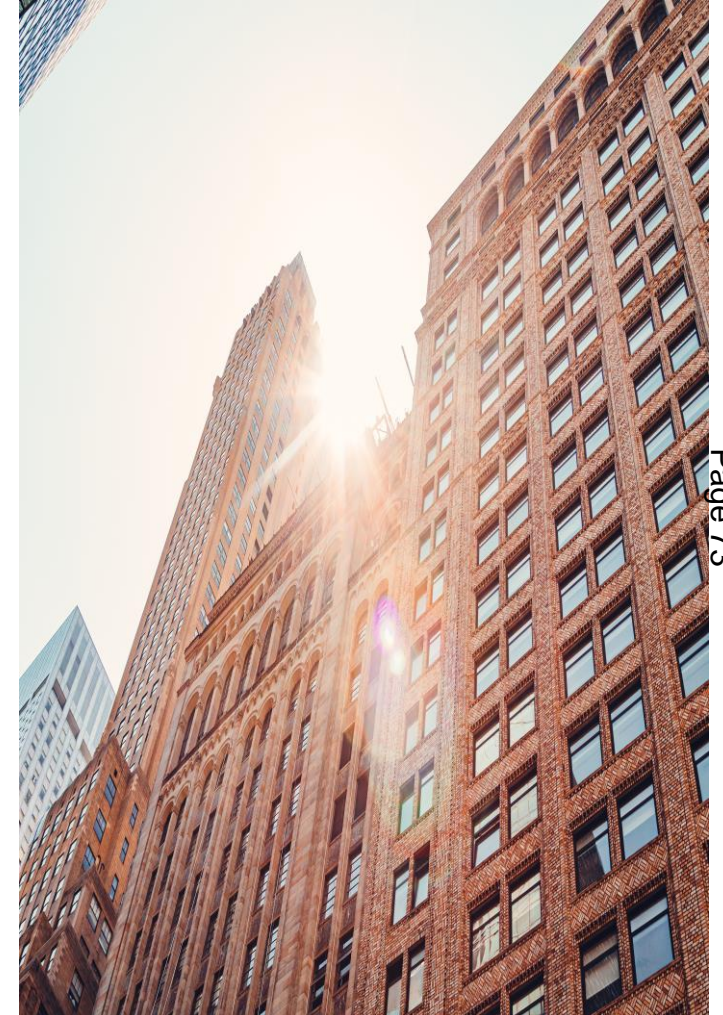
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. This audit plan sets out the implications of the code on this audit. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the London Borough of Enfield Pension Fund. We draw your attention to these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the General Purposes Committee).

The audit of the financial statements does not relieve management or the General Purposes Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The risk of management override of controls
- The risk that the Valuation of Level 3 private equity Investments and pooled property investments in the accounts is materially misstated.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £6.62 million for the Pension Fund, which equates to 0.5% of your gross investment assets as at 31 March 2023. We have determined lower specific planning materiality for the Fund Account of £2.62 million, which equates to 4% of the prior year's gross expenditure on the fund account. These figures are lower than normally would be the case due to the number of backstopped Accounts, and may be subject to change depending on the work completed ahead of the backstop.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.331 million.

We will revisit our determination of materiality after receipt of your draft financial statements. If we make a revision to materiality, we will communicate this to you in our audit findings report.

## Audit logistics

Our planning visit took place in March 2024 and our final visit will take place in July to August. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our preference is for all our work to take place on-site alongside your officers.

Our proposed fee for the audit will be **£93,327** for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 fraudulent revenue recognition - Rebutted	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition for public sector bodies.</p>	<p>Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of the pension fund, we have determined that it is likely that the presumed risk of material misstatement due to improper recognition of revenue can be rebutted. Because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical framework of public sector bodies, including London Borough of Enfield Pension Fund, mean that all form of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be significant risk for the Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management control over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

# Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of level 3 investments	<p>The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature, private equity and pooled property investments carried at level 3 in the fair value hierarchy lack observable inputs which can be used in their valuation. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£174 million in the Pension Fund's Net Assets Statement as at 31 March 2023) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2024.</p>	<p>In response to the risk identified we will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes for valuing Level 3 investments;</li> <li>• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for private equity investments; to ensure that the requirements of the Code are met;</li> <li>• independently request year-end confirmations from investment managers and the custodian;</li> <li>• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2024 with reference to known movements in the intervening period;</li> <li>• in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and</li> <li>• where available review investment manager service auditor report on design and operating effectiveness of internal controls;</li> </ul>

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Other matters

## Other work

The Pension Fund is administered by London Borough of Enfield (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2023/24 financial statements, consider and decide upon any objections received in relation to the 2023/24 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p><b>Determination</b></p> <p>We have determined financial statement materiality by applying a reasonable measurement percentage to an appropriate benchmark. Materiality at the planning stage of our audit is £6.62 million, which equates to 0.5% of your gross investment assets as at 31 March 2023.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;</li> <li>– assist in establishing the scope of our audit engagement and audit tests;</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul>
2	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <p>We have determined a lower specific planning materiality for the Fund Account of <b>£2.62 million</b>, which equates to 4 % of the prior year's gross expenditure on the fund account. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied.</p>



# Our approach to materiality

Matter	Description	Planned audit procedures
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p><b>Other communications relating to materiality we will report to the General Purposes Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the General Purposes Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the General Purposes Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than <b>£0.331 million</b>. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the General Purposes Committee to assist it in fulfilling its governance responsibilities.</p>

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Headline materiality for the financial statements	6,626,200	This benchmark is determined as a percentage of the fund's gross investment assets which has been set at approximately 0.5%
Performance materiality for the financial statements	3,313,100	Performance Materiality is based on a percentage (50%) of the overall materiality.
Materiality for the fund account	2,629,100	This benchmark is determined as a percentage of the fund expenditure which has been determined as 4%
Performance materiality for the fund account	1,314,550	Performance Materiality is based on a percentage (50%) of the overall materiality of the fund account.



# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
SAP	Financial reporting	<ul style="list-style-type: none"> <li>Detailed ITGC assessment (design effectiveness only)</li> </ul>
Altair	Pension Administration system – Benefit payable/contribution receivables	<ul style="list-style-type: none"> <li>Detailed ITGC assessment (design effectiveness only)</li> </ul>

# Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2023, PSAA awarded a contract of audit for the London Borough of Enfield Pension Fund to begin with effect from 2023/24. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Executive Director of Resources. The scale fee set out in the PSAA contract for the 2023/24 audit is **£93,327**.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here

<https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

## Assumptions

In setting these fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

# Audit fees

	Proposed fee 2023/24
London Borough of Enfield Pension Fund audit	£85,797
ISA 315	£7,530
Total audit fees (excluding VAT)	£93,327

## Previous year

In 2022/23 the scale set by PSAA was £x.

Given the opinions on some of the previous audits will be disclaimed with the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this as and when more guidance is available.

## Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \[revised 2019\]](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit logistics and team



## Matt Dean, Key Audit Partner

Matt is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the General Purpose Committee. Matt will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Matt will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work.

## Jayanti Gupta, Audit Manager

Jayanti will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Jayanti will attend General Purpose Committees, undertake reviews of the team's work and draft reports ensuring they remain clear, concise and understandable to all. Jayanti will work with Internal Audit to secure efficiencies and avoid any duplication with work that has already been performed.

## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes.
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit.
- respond promptly and adequately to audit queries.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, we are independent and are able to express an objective opinion on the financial statements.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

## Other services

No other services provided by Grant Thornton were identified.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.



# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Identification or suspicion of fraud( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

