



# 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.



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# 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.



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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.



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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

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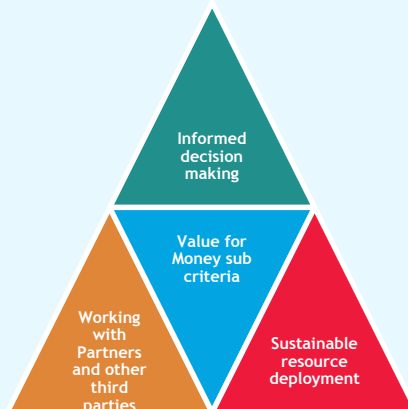
### Scope

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.





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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.





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