

London Borough of Enfield and Pension Fund

Audit progress report and sector updates

23 October 2024



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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 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 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.

Introduction

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This paper provides the General Purposes Committee (GPC) with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the General Purposes Committee (GPC) can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Key Audit Partner or Engagement Manager.

Progress at October 2024

Financial Statements Audit

We are pleased to present our update report to the General Purposes Committee (GPC). This report is an integral part of our communication strategy, which is designed to ensure effective two-way communication throughout the audit process with those charged with governance.

It summarises, the progress made since we started our risk assessment and planning and areas requiring further discussion and/or the attention of the GPC Committee.

The Council has not been subject to a detailed and focus audit visit for several years, and combined with the regulatory environment in which auditors are now working, it was expected that the audit for 2023/24 would be a learning experience for both sides, and to date the Council has engaged well and been responsive to the queries we have raised from the procedures performed to date.

Our audit fieldwork started in July 2024 with the aim of substantially completing our audit work by the end of September 2024. Whilst progress has been made, there are elements of the work which are currently ongoing due to challenges faced throughout the audit. Our key outstanding elements are set out on pages 5 to 8.

During the audit process, we encountered challenges that necessitated additional work to address certain areas of the Accounts, such as the need to increase in our audit work on journals due to issues identified in the control environment, delays in receiving appropriate transactions listing to support several key areas of the Accounts. Furthermore, we have faced challenges in receiving sufficient audit evidence for various key audit areas such as creditors, grants in advance, collection fund reliefs, dwelling rent income, operating expenditure and schools expenditure. As a result, this is likely to have fee implications despite the increases in the Scale Fee. We are currently discussing these proposals with Management and will share these with the Committee once agreed. As in previous years, these proposed increases have to be reviewed and approved by Public Sector Audit Appointments before they can be charged to ensure they are reasonable and proportionate.

As this is the first year of the audit and considering the previous years being backstopped, it's important to note that an additional layer of review will be conducted by our internal Engagement Quality Control team on the audit work. Thank you for your understanding and cooperation as we work to ensure the highest standards of quality and accuracy in our audit processes

Our Audit Findings Report will be presented to the next General Purposes Committee (GPC) in January 2025, which will summarise results of our audit of the financial statements and significant matters.

Value for Money

The majority of our Value for Money work is now complete, and we have produced our draft Auditor's Annual Report, which is included as a separate item on this Committee's Agenda.

Progress at October 2024 (cont.)

Council Financial Statements – detailed update

As mentioned on the previous page, there are areas of our work which are still ongoing, and in summary these are as follows:

Areas outstanding with the Council (details on sample testing on the following page)

- Cash and investments
- Income and expenditure testing including HRA
- Debtors and creditors testing
- Detailed testing of the accounting relating to the Meridian Water development
- Responses to the queries raised from our Quality Review of the Accounts

Areas outstanding with the Council's Expert, Sanderson Weatherill

- Responses to queries relating to our testing of the Council's Property, Plant and Equipment and Investment Properties

Areas currently being tested by the Audit Team

- review of the defined benefits liability, group accounts and IFRS 16 completeness check
- senior engagement lead/manager quality review of the audit work
- receipt of management representation letter; and
- review of the final set of financial statements, including confirming the other information published together with the financial statements remains consistent post all audit adjustments.

**Please note that the above outstanding sections do not include sections which are pending manager/engagement lead review which may generate further queries. Further to this, the samples under process by the audit team may identify further queries.*

We will continue to progress some elements of this work in October, but we have audits to commence in October and thus will return to the Council in January to progress things further, ahead of the backstop deadline of the end of February 2025.

Progress at October 2024 (cont.)

Financial Statements – Key outstanding elements

| Audit Area | Total samples | Awaiting Evidence | Auditor Processing | GT Queried | Cleared | % Complete: |
|----------------------------|---------------|-------------------|--------------------|------------|---------|-------------|
| PPE - Additions | 32 | 0 | 4 | 3 | 25 | 78% |
| PPE - Disposals | 10 | 0 | 0 | 1 | 9 | 90% |
| Grant Income | 29 | 0 | 0 | 8 | 21 | 72% |
| Bank Payments | 22 | 0 | 0 | 9 | 13 | 59% |
| Bank Receipts | 24 | 0 | 0 | 1 | 23 | 96% |
| Grants Received in Advance | 9 | 0 | 9 | 0 | 0 | 0% |
| Capital Commitments | 8 | 0 | 0 | 8 | 0 | 0% |
| Operating Leases | 11 | 0 | 11 | 0 | 0 | 0% |
| HRA income | 17 | 0 | 17 | 0 | 0 | 0% |
| Assets under Construction | 5 | 0 | 5 | 0 | 0 | 0% |
| Council Tax Reliefs | 25 | 25 | 0 | 0 | 0 | 0% |
| Business Rates Reliefs | 25 | 14 | 11 | 0 | 0 | 0% |

Progress at October 2024 (cont.)

Financial Statements – Key outstanding elements

| Audit Area | Total samples | Awaiting Evidence | Auditor Processing | GT Queried | Cleared | % Complete: |
|-----------------------------------|---------------|-------------------|--------------------|------------|---------|-------------|
| PPE - OLB & HRA and IP Valuations | 88 | 0 | 88 | 0 | 0 | 0% |
| Journals | 55 | 0 | 8 | 5 | 42 | 76% |
| Other service expenditure | 78 | 18 | 0 | 37 | 23 | 29% |
| Fees and Charges Income | 30 | 0 | 2 | 20 | 8 | 27% |
| Employee Changes in Circumstances | 8 | 0 | 0 | 4 | 4 | 50% |
| Creditors | 18 | 18 | 0 | 0 | 0 | 0% |
| Debtors (Short Term) | 19 | 6 | 1 | 12 | 0 | 0% |
| Debtors (Long Term) | 7 | 7 | 0 | 0 | 0 | 0% |
| Payroll Testing – Council Staff | 20 | 0 | 0 | 1 | 19 | 95% |
| Payroll Testing - Schools | 20 | 0 | 0 | 2 | 18 | 90% |
| Exit Packages | 5 | 5 | 0 | 0 | 0 | 0% |
| Non direct employee costs | 19 | 0 | 12 | 0 | 7 | 37% |

Progress at October 2024 – Pension Fund

Financial Statements Audit – Pension Fund

As of September 2024, our work on the audit of the 2023-24 financial statements is ongoing and there are no matters of which we are aware that would require modification of our audit opinion on the financial statements of the Enfield Pension Fund. Our detailed findings will be included in our 2023-24 Audit Findings Report to be presented to the General Purposes Committee in January.

As of the report writing, our ongoing work has been affected by delays in obtaining essential evidence for several sections of the financial statements. Our original target was to finalise our work by the end of September 2024; However, we have planned to revisit this position in January 2025 for completion of the remaining outstanding work. Delays have been experienced in obtaining confirmations from the investment fund managers, receiving initial listing to select the samples, collating appropriate evidence for the samples selected, and obtaining follow-up responses to queries raised. The outstanding items are summarised below:

Await information from management:

- Level 2 investments – 7 Sample outstanding in total, queries outstanding with Fund managers and team-high priority; -
- Level 3 investments – queries outstanding with 4 Fund Managers;
- Responses to points raised by the Audit Manager and Key Audit Partner’s review of accounts;
- Members’ Data Listing requested for Triennial Valuation work

Areas subject to the audit team completing the work:

- Financial Instruments
- Derivatives
- Benefits Payable Testing – there are 31 items currently being processed by the audit team

**Please note that the above outstanding sections do not include sections which are pending manager/engagement lead review which may generate further queries. Further to this, the samples under process by the audit team may identify further queries.*

Audit Deliverables

Below are some of the audit deliverables planned for 2023-24

| 2023/24 Deliverables | Planned Date | Status |
|--|----------------|---|
| <p>Audit Plan – for Council and Pension Fund</p> <p>We are required to issue detailed audit plans to the General Purposes Committee (GPC) setting out our proposed approach in order to give an opinion on the Council and Pension Fund’s 2023/24 financial statements.</p> | June 2024 | Complete |
| <p>Audit Findings Report – for Council and Pension Fund</p> <p>The Audit Findings Reports will be reported to the General Purposes Committee</p> | January 2025 | Not yet due |
| <p>Auditors Report – for Council and Pension Fund</p> <p>These include the opinion on the relevant financial statements.</p> | February 2025 | Not yet due |
| <p>Auditor’s Annual Report – for Council only</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p> | September 2024 | Complete – on the Agenda for this meeting |
| <p>Pension Fund Annual Report Auditor’s Consistency Report</p> <p>This includes our opinion that the 2023-24 Enfield Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited Council’s Financial Statements.</p> | November 2024 | Not yet due |

Sector update



Ending the local audit backlog

A plan for restoring timely assurance to the Local Government audit system was announced by the Minister of State for Local Government and English Devolution on 30th July 2024.

When parliamentary time permits, secondary legislation is going to be used to amend the Accounts and Audit Regulations (2015) and to introduce five new backstop dates:



1. Financial years up-to-and-including 2022/23: 13 December 2024;
2. Financial year 2023/24: 28 February 2025;
3. Financial year 2024/25: 27 February 2026;
4. Financial year 2025/26: 31 January 2027;
5. Financial year 2026/27: 30 November 2027; and
6. Financial year 2027/28: 30 November 2028.

Paul Dossett, Grant Thornton Partner and Head of Local Government, has had an article published in The MJ, where he reviews the reasons for the delays in audited accounts and considers what is required for a long-term solution:

<https://www.themj.co.uk/beyond-the-local-audit-backstop>

Key messages from the Minister are that:

For financial years up to and including 2022/23, if financial audits are not complete by 13 December 2024, disclaimed or modified opinions will be required. The Minister recognises that in most cases these may remain in place for up to two years.

The Minister's statement is, however, "crystal clear" that where there are modified opinions for financial accounts, auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations, and to issue Public Interest Reports, will still be a high priority.

There will be some limited grounds for exemption to meeting the audited accounts backstop dates: Where auditors are considering a material objection; where recourse to the court could be required; or from 2023/24, where the auditor is not yet satisfied with the body's Value for Money arrangements. Nevertheless, Councils need to be aware that the Government intends to publish a list of bodies and auditors that do not have an exemption and yet still do not meet the proposed new dates.

To help Councils comply with these arrangements, for financial years 2024/25 to 2027/28, the Minister states that the deadline for filing Category 1 'draft' (unaudited) accounts will be extended from 31 May to 30 June (allowing higher quality draft accounts); and there will be no routine inspections of local audits (by the Financial Reporting Council or by the Institute of Chartered Accountants in England and Wales) for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so.

Once implemented, the hope is that the new arrangements will help to restore the robust assurance needed to underpin good governance and accountability. The legislation will come into law on October 19, 2024.

For the full statement, see [Written statements - Written questions, answers and statements - UK Parliament](#).

Lessons from recent Auditors' Annual Reports

In July 2024, Grant Thornton shared findings from a review of just under 100 recent Auditors' Annual Reports (AARs), covering around 30% of all Councils in England. With around 730 different areas for improvement identified, the AARs highlighted five key areas where local government is facing increased challenge:



1. Transformation and saving plans;
2. The Dedicated Schools Grant;
3. Financial governance and internal control;
4. Performance management and procurement; and
5. The Housing Revenue Account.



To help Councils with their challenge, Grant Thornton's Lessons report summarised suggestions for improvement into a single checklist for success.

Key questions for Audit Committees from the checklist for success:

- External audit recommendations – are we up to date with monitoring progress and implementation and prior year recommendations?
- Savings and reserves – is our medium-term financial plan up to date?
- Special educational needs and disability – are we on track with arrangements to close any deficit?
- Workforce – do we have an up-to-date strategy?
- The Housing Revenue Account – when did we last review the strategy and arrangements for governance and internal control?

Even before the July 2024 general election, local authorities were key to delivering nationally important policies. Under the new government, the sector looks likely to play an even more pivotal role as, for example, proposed reforms to planning and housebuilding get underway. Audit Committees can use the Grant Thornton checklist for success to assess how ready their organisation is to take advantage of the new opportunities likely to open-up and to step into the new, higher profile role they are likely to be invited to play.

For a full copy of the report, see [Lessons from recent auditor's annual reports \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)

Code of practice on good governance

In June 2024, SOLACE, CIPFA and Lawyers in Local Government (LLG) jointly published a new code of practice on good governance. The code provides advice and sets expectations for the three highest profile statutory roles in local government – the Head of Paid Service, the Chief Finance Officer, and the Monitoring Officer. The aim of the code is to enable these three high profile officers to effectively work together in a ‘Golden Triangle’ - to best advise members, implement decisions, and help achieve good outcomes.

This is a powerful publication because it is the first in which SOLACE, CIPFA and LLG have spoken as one voice. Whilst the Seven Principles of Public Life, or Nolan Principles, apply to all public office holders (and indeed all those in other sectors delivering public services), expectations of the three most senior statutory officers in Councils go further. The fact that this guide is targeted specifically at their three roles is therefore more than welcome.

The new code of practice sets out seven standards the “Golden Triangle” officers should comply with, alongside a series of more direct requirements they should adhere to. The code provides guidance to the three officers concerned; can be used to explain their roles more clearly to others; and provides context for conversations about the roles, the requirements, and actions to be undertaken.

Questions Audit Committees can use the code to ask themselves surround: Do we understand what our most senior officers do? And do they understand the standards they are bound by?

For a full copy of the Code of Practice, see [Code of Practice on Good Governance for Statutory Officers June 2024.pdf \(solace.org.uk\)](#)

The seven standards of the Golden Triangle are:



Understand Governance

Roles and responsibilities



Act Wisely

A duty of enquiry & the exercise of statutory functions



Lead Ethically

The Seven Principles of Public Life



Act Effectively

Robustness in working arrangements



Resource the Roles

Get the tools to do the job



Build Resilience

Deputies and development



Deliver sound decision making

The outcome of good governance

Annual review of local government complaints

The Local Government and Social Care Ombudsman's latest Annual Review of Local Government Complaints was published in July 2024.

The review shows that nationally, there has been an increase in the number of complaints received, an increase in the number of complaints upheld, and ongoing issues within special educational needs; housing; and adult social care services.

The review argues that complaints can be seen as a valuable source of information, and it encourages councils to use complaints information to identify early warning signs of service failure. It includes best practice resources to help councils take valuable learning from complaints, including a performance map and data tables.

Readers are advised by the review to consider, using the interactive data for those councils they are interested in:

- Uphold rates;
- Suitable remedy rates;
- Compliance rates; and
- The nature of service improvement recommendations made.

Councils should bear in mind that since April 2024 [new **overview and scrutiny: statutory guidance for councils, combined authorities and combined county authorities**](#) recommends that scrutiny committee work programmes are informed by the reports and recommendations issued by the Ombudsman.

For a full copy of the Ombudsman's Annual Review, see [Annual Review of Local Government Complaints](#).



Homelessness and housing targets

The National Audit Office (NAO) published a report in July 2024 on the effectiveness of government in tackling homelessness.

The report noted that homelessness is now at the highest level since comparable data collection began in the early 2000s, despite local government spending on homelessness services having more than doubled since 2010/11. The report also noted that a co-ordinated government response is difficult because there was, at the time of writing the report, no strategy or published target for statutory homelessness; and, again at the time of writing the report, the Department for Levelling Up, Housing and Communities had limited power to influence other government departments' decisions on cross-cutting matters that can affect homelessness services.

The National Audit Office argued that homelessness funding is fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

New housebuilding targets announced by the new government on 30th July may help, but consistent funding and a move away from short termism and a clear strategy are also going to be essential levers that national and local government are now going to have to develop.

For a copy of the National Audit Office report, see [the effectiveness of government in tackling homelessness \(nao.org.uk\)](https://nao.org.uk).

For the government's new housebuilding targets, see [Housing targets increased to get Britain building again - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

£2.44bn

Spent by local government in 2022/23 on homelessness services

60%

Proportion of local government 2022/23 total gross expenditure on housing services (excluding that relating to their own housing) that was used to deal with homelessness, up from 25% in 2010/11

15

Cross-government boards that have a remit relevant to homelessness



National Audit Office



New approaches needed to key educational issues

Two recent reports highlighted weaknesses in the educational system that councils have to work with. Both include recommendations for the new government, intended to give disadvantaged children and children with special educational needs and disabilities better outcomes for the money spent.

On 23rd July 2024, the National Audit Office (NAO) published its report on [Improving educational outcomes for disadvantaged children \(nao.org.uk\)](https://www.nao.org.uk/publications/2024/july/improving-educational-outcomes-for-disadvantaged-children/), noting that disadvantaged children include those who are currently, or have previously been, looked after by the council.

The report highlighted that the government spends an estimated £9.2 billion on supporting disadvantaged children and narrowing the attainment gap between them and their peers, but that disadvantaged children still perform less well than their peers across all areas and across all school phases.

Two days later, on 25th July, the ISOS Partnership published an [independent report commissioned by the County Councils network and the Local Government Association](#) showing that educational attainment amongst children with special educational needs and disabilities (SEND) has not improved since 2014, despite councils being projected to spend £12 billion on these services by 2026 [compared to £4 billion a decade ago].

Going forward for SEND, local government could play a pivotal role in delivering any changes of policy. It is important for members to be aware of the changes that could happen in future. The ISOS partnership recommends that the new government:

- Invests in building capacity in mainstream schools to meet children's needs, such as therapists, educational psychologists, and wider inclusion support, helping to reduce the reliance on specialist school places;
- Resets the vision and guiding principles of the SEND system towards inclusion, prevention and earlier support which would cater for young people who do not have a statutory plan, with such plans reserved for the most complex cases;
- Provides a new 'national framework' for SEND;
- Establishes 'Local Inclusion Partnerships' to enable more effective assessments, commissioning and collaboration between councils, schools and health; and
- Creates a National Institute for Inclusive Education as an independent arbiter around inclusive education and support for children and young people with additional needs.



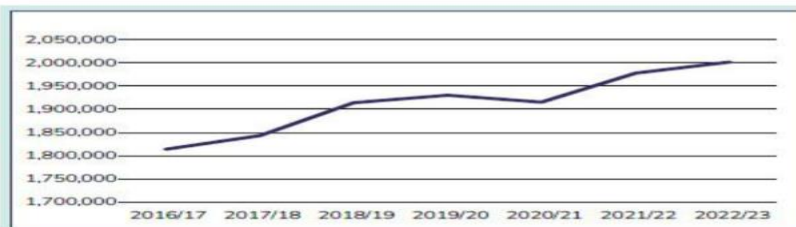
Demand management for social care

In July 2024 CIPFA published a guide to managing rising demand in adult and children's social care, drawing on lessons from nineteen different English councils.

Having highlighted that requests for adult social care and the number of children in need are both rising, CIPFA shared examples of good practice around:

- Adult Social Care – Market management; transitions; transformation and innovation; and
- Childrens' Social Care - Market management; transitions; transformation and innovation.

Rise in the demand for adult social care support for new clients:



Rise in the number of children in need:



The report shows the importance of strong corporate and leadership buy-in; utilising funding and resources from diverse sources; focusing on improving outcomes; making use of monitoring, forecasting and benchmarking tools; and investing in preventative action. However, CIPFA also highlighted the specific contributions that innovative finance professionals can make:

- Financial oversight, analysis and management;
- Grant and resource management;
- Compliance, reporting and risk management;
- Evidence-based decision making and communication;
- Monitoring, forecasting and benchmarking;
- Strategic thinking;
- Funding maximisation;
- Business case and scenario planning;
- Sustainable commissioning; and
- Data utilisation, monitoring and evaluation.

The examples of proactive work by professionals from across the nineteen councils show how co-operation can make a real difference. For more details on the report, see [Managing rising demand in adult and childrens social care \[cipfa.org\]](https://cipfa.org).

The social landlord role – what can councils do better?

The Housing Ombudsman published its latest Insight Report in July 2024: [Insight report - Issue 17 \(housing-ombudsman.org.uk\)](https://www.housing-ombudsman.org.uk/insight-report-issue-17)

The report focused on London – noting that 47% of the cases determined by the Ombudsman in 2023/24 were from residents living in a London postcode, despite the fact that just under one in six homes in the Ombudsman's membership is located within Greater London.

No other region of England has such a wide gap between the proportion of social housing and complaints, but the Ombudsman noted that outside Greater London, other councils and landlords should also take note of the recommendations and learning points, especially in other urban areas, as they provide vital indicators of where things go wrong and how to stop that from happening.



The report recommends that landlords:

- Foster a positive complaints culture - leadership and governance should be seen to support the complaints' function, including promoting internal cooperation and engagement with the complaints process;
- Don't lose sight of the person at the centre of a complaints issue – try to ameliorate the impact of issues outside the landlord's full control and avoid blame. Be clear about landlord responsibilities where resolution involves dealing with third parties;
- Show that the resident's experience is important – ensure that details are taken and recorded appropriately so that residents feel listened to; the right solution is found to resolve the issue swiftly; and the communication to the resident is courteous and accurate;
- Remember that complaint handling is a landlord's opportunity to regain a resident's Council after they have had a bad experience; and
- Use insight and intelligence from complaints strategically. This ranges from effective root cause analysis of casework through to identifying risks and horizon scanning.

The report makes good reading for members looking to better understand how they can help to stop things going wrong in the council's relationship with residents.



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiaa.org/globalassets/documents/resources/the-iaas-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>

