



London Borough of Enfield

Report Title	Audited Statement of Accounts and Pension Fund Accounts 2019/20 to 2022/23 Inclusive, Revised Annual Governance Statement 2019/20 and External Audit Reports
Report to:	General Purposes Committee
Date of Meeting:	10 th December 2024
Directors:	Jo Moore (Executive Director – Resources) Annette Trigg (Director of Finance – Corporate)
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Classification:	Part I Public

Purpose of Report

1. The report sets out the recent changes to the Accounts and Audit Regulations 2015 as introduced by the Accounts and Audit (Amendment) Regulations 2024 and the impact of these changes on the External Audit of the Council's Statement of Accounts.
2. In addition, the report presents for consideration the Council's Statement of Accounts and Pension Fund Accounts for 2019/20 where the audit has been substantially completed. The external auditor's (BDO's) draft final audit completion reports in respect of 2019/20 are attached at Appendices 1a 2019/20 Statement of Accounts and 1b 2019/20 Pension Fund Accounts. The Committee should note the reports and the "disclaimed" opinions given in line with the updated Regulations 2024.

3. To report and consider for approval the revised Annual Governance Statement for 2019/20, following the external audit of the 2019/20 Statement of Accounts and Pension Fund Accounts.
4. The report also presents the external Auditor's draft Audit Completion Reports for 2020/21, where the audit was started but not completed, plus 2021/22 and 2022/23 where the audits were not started. These each contain a disclaimer of opinion in line with the above regulations and not a full audit opinion. In addition the Auditor's Annual Report & VFM 2020/21 to 2022/23 is also presented.
5. Under the updated 2024 Regulations all backlog accounts up to, and including, 2022/23 were required to be signed by the backstop date of 13 December 2024. It was hoped that the Council would be in a position to meet this deadline, and officers were working with the external auditors to be able to do this.
6. However, the draft final audit completion report was only issued on 2 December 2024 and the Council's current Section 151 Officer is unable to sign the accounts as giving a "true and fair view" as required by the regulations at this stage due to matters raised in the report.
7. This does not mean that the accounts as presented do not give a true and fair view, but further work will be required to address matters raised in order for the S151 Officer to have the assurance they require.
8. Committee Members should note that, even when this work is concluded by the Council, BDO will not be carrying out any further audit work and their disclaimed opinion will remain.
9. The report also presents for consideration the Statement of Accounts and Pension Fund Accounts for 2020/21, 2021/22 and 2022/23 where the backstop arrangements apply due to the audits not being completed prior to 13 December 2024 backstop date for accounts up to and including 2022/23.

Recommendations

Members are asked to:

- I. note the changes relating to the Accounts and Audit (Amendment) regulations 2024 and the impact on the audit of the Council's accounts 2019/20 to 2022/23.
- II. consider the external Auditor's reports for the four years 2019/20 to 2022/23 (As set out in Appendices 1a to 1i)
- III. note that the external Auditor has given a "disclaimer" audit opinion for all four years in accordance with the 2024 Regulations
- IV. consider the 2019/20, 2020/21, 2021/22 and 2022/23 Statement of Accounts and Pension Fund Accounts (As set out in Appendices 2,4,6 and 7)
- V. note that the Responsible Financial Officer (S151 Officer) is not in a position to sign off the accounts as representing a true and fair view until further assurance work is undertaken.
- VI. note that the impact of this is that the Council will not be able to meet the backstop statutory deadline of 13 December 2024.
- VII. approve the revised 2019/20 Annual Governance Statement (As set out in Appendix 3)
- VIII. note the proposed Auditor fees for the 2019/20 Statement of Accounts of £397k as set out on page 98 of Appendix 1a, and the fee for the 2019/20 Pension Fund Accounts of £37k as set out on page 30 of Appendix 1b, and that fees for the backstopped audits 2020/21 to 2022/23 will be determined following a review by the PSAA.

Background

10. The Committee will be aware, through various progress reports presented to the Committee over the past three years, that the audits of the 2019/20 to 2022/23 accounts have not been concluded, and that the backlog of unaudited accounts have been a national issue. The Government has been working with representative bodies to implement changes to the Accounts and Audit Regulations 2015, to provide a solution to clear the backlog of accounts.
11. On 9 September 2024, the Government laid in Parliament a Statutory Instrument, 'The Accounts and Audit (Amendment) Regulations 2024', which introduced the backstop dates by which point local authorities must publish audited accounts for any outstanding financial years up to and including 2022/23.
12. The Government, on behalf of the Comptroller and Auditor General (C&AG), has also laid a revised 'Code of Audit Practice 2024', that requires auditors to give their opinion in time to enable local authorities to comply with the backstop date.
13. Guidance related to the backstop arrangements states that where auditors have been unable to complete audits, they will issue a 'disclaimer' or 'modified' audit opinion.

14. The backstop date for historical audit opinions up to and including financial year 2022/23 is 13 December 2024, which was previously reported to this Committee on 23 October 2024. The revised Code became effective on 14 November 2024.
15. The audit of the 2019/20 Statement of Accounts and Pension Fund Accounts have been substantively complete for some time, and this is referenced in the audit completion reports for 2019/20 attached in Appendices 1a and 1b.
16. However, further information requests have continued since September 2024. Responses to these requests have, however, focused only on critical items due to the time constraints prior to the backstop date. The Council's external auditors have given a draft "disclaimer" audit opinion on the 2019/20 main Statement of Accounts and will not be issuing a full audit opinion, despite the audit fieldwork being reported by BDO as substantially completed to the Committee on 14th October 2021. The Auditors will be able to finalise this draft position once the accounts have been signed by the Section 151 Officer as presenting a "true and fair view".
17. The Pension Fund Accounts 2019/20 are anticipated to be an unmodified opinion but will also be disclaimed. As previously reported to the Committee, the External Auditor had already given an adverse value-for-money opinion.
18. The 2020/21, 2021/22 and 2022/23 draft Statement of Accounts and Pension Fund Accounts were all published by the Council in accordance with the required deadlines. BDO, however, have only been able to commence the 2020/21 audit, with work limited on this audit due to the need to focus audit resources on finalising the 2019/20 audit. BDO have been unable to commence the 2021/22 or 2022/23 audits. In order to achieve the backstop date no further work will be undertaken and BDO have stated that the audit opinion on these accounts would again be issued with a disclaimer of opinion.

Main Considerations for the Committee

19. The contents of the draft External Audit reports for 2019/20, 2020/21, 2021/22 and 2022/23 are set out in Appendices 1a to 1i for consideration by the Committee.
20. The Accounts and Audit (Amendment) Regulations 2024 require the Committee to consider and approve the 2019/20, 2020/21, 2021/22 and 2022/23 Statement of Accounts and Pension Fund Accounts following confirmation by the responsible financial officer that they are satisfied that the Statement of Accounts presents a true and fair view of:
 - the financial position of the authority at the end of the financial year to which it relates and
 - the authority's income and expenditure for that financial year.
21. The responsible financial officer is currently not in a position to confirm that the accounts present a true and fair view. The reasons are as follows:

- Key matters identified in the Audit Completion Report, on which audit procedures cannot be completed and, as a result, an audit opinion cannot be reached as to whether these would have a material impact on the Statement of Accounts
 - The external auditor has issued a disclaimer of opinion in accordance with the Accounts and Audit (Amendment) Regulations 2024 and not an unqualified audit opinion.
 - The S151 Officer would ordinarily place a degree of reliance on the External Auditor completing their audit work and issuing a full audit opinion
 - The S151 Officer signing these accounts has only been engaged by the Council since November 2024, and key staff formerly responsible for the preparation of the accounts are no longer engaged by the Council and therefore there is limited scope for additional assurances to be obtained in the absence of an unqualified audit report
22. The revised regulations state that if the Authority is unable to approve the accounts by the backstop date it must:
- (a) on or as soon as reasonably practicable after the last publication date, publish a notice stating—
 - (i) that it has not been able to publish its accountability statements,
 - (ii) its reasons for this, and
 - (iii) that it acknowledges that it must publish its accountability statements as soon as reasonably practicable,
 - (b) on or as soon as reasonably practicable after the last publication date, send a copy of the notice mentioned in sub-paragraph (a) to the Secretary of State, and
 - (c) as soon as reasonably practicable publish its accountability statements.
23. If the accounts remain unsigned then this would also have an impact on future financial years. Auditors can only sign accounts in sequence once the accounts have been signed by the section 151 and along with the AGS.
24. Whilst BDO have issued their audit opinions these remain in a draft format until the S151 officer has signed the accounts when they will then sign the accounts and issue the reports in the final format. Therefore, the Council's new auditor (Grant Thornton) will not be able to sign future years accounts until the previous four years are signed.
25. The Committee also need to consider and determine whether to approve the revised 2019/20 Annual Governance Statement which includes an additional section detailing the External Audit issues raised in respect of the 2019/20 Statement of Accounts and the Council's response.

26. The Committee is asked to note that the 2019/20 External Audit fees have been estimated at £397k. Of this, £342k has already been paid or accrued for, leaving an additional estimated cost of £55k. These fees, along with the audit fees for the periods 2020/21 to 2022/23 are subject to approval by the Council's S151 Officer and the review and approval of the PSAA. As the audit work was not completed for the years 2020/21 to 2022/23, it is anticipated that there may be a reduction in fee levels agreed for those years following this PSAA review. The details of how the audit fees will be determined are not yet available.

Relevance to Council Plans and Strategies

27. 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

28. Estimated audit costs for the period 2019/20 have been set out in the report as £397k for the Statement of Accounts and £37k for the Pension Fund Accounts. Estimated audit fees for 2020/21 to 2022/23 of £389k have been accrued for in previous accounts based on the original estimated audit fees prior to the back stop.
29. The actual audit costs for 2019/20 are subject to the review and approval of the PSAA and therefore the levels of fees will not be finalised before the PSAA have completed their review.
30. The PSAA are responsible for agreeing the fees for the backstopped audits which have not yet been determined. Any additional fees above the total fees which have been accrued for will be an additional cost to the general fund for the main Statement of Accounts and to the Pension Fund for the Pension Fund accounts, however as the audit work was not fully completed for the periods 2020/21 to 2022/23 it is anticipated that the original audit fees will be reduced.

Legal Implications

31. Regulation 6 of the Accounts and Audit Regulations 2015 (as amended) ('The Regulations') requires the Council to conduct a review of the effectiveness of its internal control and to prepare an Annual Governance Statement each financial year. Accordingly, the AGS for 2019/20 was approved at the end of that financial year as required. It was subsequently revised at the request of BDO and the revised edition was then agreed by the GPC in August 2021. BDO have asked for further revisions to be made. This is highly unusual but the Director of Law and Governance, who is now responsible for preparation of the AGS is happy to support these further changes in order to seek to move forward with the audit of accounts. The revised edition is attached for approval, with changes shown as tracked.

Equalities Implications

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

Environmental and Climate Change Implications

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

Appendix 1 – External Auditor’s Reports

- 1a – Audit Completion Report Main Accounts 2019/20
- 1b - Audit Completion Report Pension Fund Accounts 2019/20
- 1c – Combined Audit Planning & Completion Report 2020/21
- 1d – Combined Audit Planning & Completion Report PF 2020/21
- 1e – Combined Audit Planning & Completion Report 2021/22
- 1f – Combined Audit Planning & Completion Report PF 2021/22
- 1g – Combined Audit Planning & Completion Report 2022/23
- 1h – Combined Audit Planning & Completion Report PF 2022/23
- 1i – Auditor’s Annual Report & VFM 2020/21 to 2022/23

Appendix 2 – Statement of Accounts and Pension Fund Accounts 2019-20

Appendix 3 – Annual Governance Statement 2019-20 (Revised)

Appendix 4 – Statement of Accounts and Pension Fund Accounts 2020-21

Appendix 5 – Annual Governance Statement 2020-21 (Not changed)

Appendix 6 – Statement of Accounts and Pension Fund Accounts 2021-22 (Includes the Annual Governance Statement)

Appendix 7 – Statement of Accounts and Pension Fund Accounts 2022-23 (Includes the Annual Governance Statement)

Background Papers

The Government’s backstop arrangements are set out in the Financial Reporting Council’s Accessible Guide ‘Local Audit Backlog Rebuilding Assurance’.