

London Borough of Enfield

General Purposes Committee

14 January 2021

Subject: Update on the Audit of the 2019/20 Statement of Accounts

Cabinet Member: Cllr. Maguire

Executive Director: Fay Hammond

Key Decision:

Purpose of Report

1. This report updates members on the progress of the external audit of the Council's 2019/20 accounts, in the context of challenges faced by local authority audits in general and by the Council in particular. It reminds members of the wider landscape of auditing and focuses attention on the key items that need to be audited for the Accounts to be closed. It notes the reasons for the delays.

Proposal

2. General Purposes Committee to note that although the 30th November 2020 statutory deadline for audited accounts has not been met, the Council's is still expected to have its accounts signed off with an unqualified opinion, and to note progress that has been made in resolving issues facing the Council.

Reason for Proposal(s)

3. The Council is required to keep members updated on the status of the Audit. The Council has previously reported that it will not meet the statutory deadline.

Relevance to the Council Plan

4. The Council's Plan is delivered through resilient finances. The external audit is a process of testing and challenging to ensure the Accounts present a true and fair view of the Council's financial position.

Background and Progress to Date

5. The report to the Committee on 26 November 2020 concluded that despite improvements made and the expectation that the 2019/20 accounts would be unqualified, the 30 November 2020 statutory deadline for completing the

2019/20 audit would not be met. The main underlying reasons for the delay were a lack of resourcing on the part of the Council and the external auditors.

Resourcing

6. Since the last meeting, a permanent Deputy Chief Accountant has been recruited and is expected to be in place by February 2021. However, the recruitment for a permanent Chief Accountant was unsuccessful. The interim Chief Accountant and their Deputy are already in place. With this increase in technical accounting knowledge and skill comes the ability to raise standards through bolstering the quality assurance processes and the upskilling of permanent staff.
7. The Council is also actively seeking additional support for the HRA and other roles in order to complete the 2019/20 audit successfully and deliver on its commitment to quality financial reporting within statutory deadlines in 2020/21 and beyond. The recruitment process is taking longer than expected due to a general shortage nationwide of available staff with skills in technical local authority accounting. Furthermore, the second wave of the Covid-19 pandemic has had an impact on key staff.
8. BDO Resourcing – Due to the delays previously reported to this committee, and BDO withdrawing from the audit to give the authority time to respond to queries, their staffing has had to be revisited, resulting in some changes to their team and an impact on continuity of audit staff. The delays have also led us into a period of pre-booked annual leave for the BDO team, thus affecting the timely review of responses.
9. The severity of the second wave of the Covid-19 pandemic, the third national lockdown and consequent school closures are likely to have a significant impact on resourcing, with key staff already having succumbed to illness.
10. Central Government, through the MHCLG and in response to the Redmond Review and the exacerbation of the problems by the pandemic, is consulting on extending audit deadlines for 2020/21, with publication on 31 July 2021 and completion of audits by 30 September 2021. It is expected that the Audit and Accounting Regulations will be amended to reflect these changes.

Prior Period Adjustments (PPA)

11. In preparing the 2019/20 accounts, the Council restated the 2018/19 comparative figures to correct errors in the prior year audited accounts mainly involving (but not confined to) accounting for non-current assets. Following external audit scrutiny, it has been agreed with the auditors that the lower value adjustments will be reversed and corrections put through the 2019/20 accounts instead.
12. There are, however, two prior period adjustments which are the subject of ongoing discussions between the Council and its auditors and on which

they are yet to reach agreement. These relate to the correction and restatement of all categories of the Council's fixed asset register and a smaller item relating to the Meridian Water project.

13. The work required to evidence and substantiate the asset related PPA is considerable and is being completed to the highest standard to meet audit requirements although key staff sickness has hampered progress somewhat.
14. The outcome of these discussions and the resulting PPA will have a knock-on effect on the final 2019/20 figures to be audited. It is expected that there will be a conclusion to this issue by the end of January 2021, thus providing a solid starting point for audit work on valuation of 2019/20 property, plant and equipment to proceed.
15. With additional Council resourcing now available, and the return of audit staff from annual leave, other outstanding audit items are being progressed in the meantime and so far, are also on course to be completed by the end of January.
16. Although everything is being done to complete the audit by the end of February 2021, given the pressure on resourcing from staff sickness and the need for additional risk-based review within BDO, it is more likely that the audit will be completed in the middle of March 2021.

Pension Fund Accounts

17. Due to Covid-19, the global market was very volatile, and this brought about significant depression of asset prices. The Council has had to request the Global custodian to revise and update about five different investment valuations that were based on February 2020 prices. We have corrected and restated the investments and are working with BDO to confirm the supporting information in relation to these changes. We will provide a verbal update at the General Purposes Committee of proposed timelines to clear all remaining queries.

Safeguarding Implications

18. None in the context of this report.

Public Health Implications

19. None besides the impact of managing the Audit during a Pandemic.

Equalities Impact of the Proposal

20. None in the context of this report.

Environmental and Climate Change Considerations

21. None in the context of this report.

Risks that may arise if the proposed decision and related work is not taken

22. None in the context of this report.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

23. None in the context of this report.

Financial Implications

24. There are no direct financial implications beyond an unqualified set of Accounts demonstrating that the Council is a 'going concern' and the material effect that any audit changes may have on the underlying net worth of the entity.

Legal Implications

25. 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.

Workforce Implications

26. None in the context of this report.

Property Implications

27. None in the context of this report.

Other Implications

28. None in the context of this report.

Options Considered

29. Not relevant in the context of this report.

Conclusions

30. Although the statutory audit deadline has been missed, considerable progress has been made in adequately resourcing the Council's financial reporting function with the right level of knowledge and skill to complete the 2019/20 audit successfully and deliver improvements to the 2020/21 closing of accounts and audit process and embed the necessary good practice and

high standards for 2021/22 and beyond. With the second wave of the pandemic and third national lockdown already affecting staffing adversely, it is expected that the 2019/20 audit will be completed in March 2021.

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Appendices

None

Background Papers

None