

## London Borough of Enfield

### General Purposes Committee

14 October 2021

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**Subject: Audit of the 2020/21 Statement of Accounts**

**Cabinet Member: Cllr. Maguire**

**Executive Director: Fay Hammond**

### Key Decision:

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#### **Purpose of Report**

1. This Report reports the update on the timing of the 2020/21 Audit following the publication of the draft Statement of Accounts in July. Following the finalisation of the audit work on 2019/20 Statement of Accounts it is recognised that the 2020/21 Accounts will require adjustments (e.g. 2019/20 opening balances) this report details these adjustments underway

#### **Proposals**

2. General Purposes Committee notes:
3. The work undertaken to update the 2020/21 Accounts prior to the commencement of the audit.
4. That an informal briefing will be provided to members of the General Purposes Committee to review the pre-audited accounts for 2020/21.

#### **Reason for Proposals**

5. General Purposes Committee is responsible for reviewing the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

#### **Relevance to the Council's Corporate Plan**

6. 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 & Progress to Date**

7. The accounts were published on 31 July on time, in line with the revised statutory deadline. For 2020/21 and 2021/22 Statement of Accounts the deadlines were extended to 1 August for publication of draft accounts and 30 November for completion of the audit.
8. The Council is updating the 2020/21 Accounts in light of audit of the 2019/20 Accounts, some of which the Council and BDO have both preferred to put through in 2019/20 to reduce the burden on the following set of

Accounts. These updated Statement of Accounts 2020/21 will be completed by 18<sup>th</sup> October in readiness for the external audit process to commence.

9. Changes to the Accounts brought forward from 2019/20 and which affect both Long Term Assets and Unusable Reserves include:
  - 29 Properties were identified as missing from the Asset Register as they were contained within Assets Under Construction.
  - Assets Under Construction with respect to Council Housing was written out as it was recognised that these assets had indeed become operational and thus costs were double counted.
  - The previous treatment of aerals as investment properties has been challenged and they have been moved to Long Term Debtors, as the assets are not the aerals but the access rights or wayleave.
  - Civic Centre Property Data was incorrect for 2019/20 and this prompted a valuation upwards, leading to a smaller movement on the Revaluation Reserve and Property, Plant & Equipment in 2020/21.
10. In order to ensure that the accuracy of the records is maintained and remains consistent with the Accounts, the CIPFA Asset Register is being methodically updated with the 2019/20 audit adjustments. This will then enable the 2020/21 Statement of Accounts to be refreshed with the adjusted opening balance for 2019/20 and in turn this impacts on the 2020/21 asset base.
11. The Council undertook additional quality review stage using a standard audit technique of cut off testing, whereby expenditure and income over the accrual limit of £50k is tested to see whether it should have been accrued or not (Council tested March through July) in line with advice from the auditors. Journals were put through the Accounts to account for these differences 19 items needed accruing. This led to a net audit adjustment of £526k.
12. The Council's continuing quality assurance processes identified a double count journal on Housing Benefit Overpayments for write-offs with the £1.4m difference going to Earmarked Reserves.
13. London Councils and Society of London Treasurers commissioned an independent organisation to review and advise on the business rate pool implications, impact of Covid19 and the latest legislation for all London Councils. As a result, of this London-wide review, along with the majority of Councils in London, Enfield sought advice and amended the Collection Fund. The independent advisor's approach was more conservative than the Council as they were aware that the Government had been unable to pass legislation to prevent Material Changes in Circumstances. This led to an increase in the overall Provision for Appeals by £24.4m leading to a far larger Collection Fund deficit, the Council's share of which is £23.9m. The Bad Debt Provision for NNDR also increased by £1.954m, of which the Council has a 30% share. However, on the counter side this did lead to an increase in the Taxation Income Guarantee of £2.361m, which went into the Earmarked Reserves, a hedge against the unwinding of the Collection Fund deficit over the coming next 3 years.

14. All of the changes have been made to the Statement of Accounts for 2020-21. However, the team are finalising the necessary entries to the Fixed Asset register. When this work has been completed the pre-audited Statement of Accounts will be circulated to all members of the Committee. The Council is committed to review and challenge on its Accounts and an informal session will be scheduled for members of the Finance Team to take members through the detail of the accounts and to respond to questions. CIPFA recommends that it is good practice for the accounts and to be reviewed by the committee prior to the commencement of the external audit.

#### **Timetable**

15. BDO have been undertaking some initial audit work on the 2020/21 accounts, focussing on items more often covered during the Interim Audit, which has not been possible due to finalisation of work on the 2019/20 accounts. This includes: system testing (walkthroughs and accompanying reconciliations of external systems to SAP), reviewing Group boundaries and similar activities along with planning of the key elements of the audit
16. BDO has indicated their intent to start sampling on the 18<sup>th</sup> October, the week following General Purposes Committee.
17. BDO are providing a more detailed update on timing of the audit in a separate paper.

#### **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 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**

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. The 2020/21 Statement of Accounts were published on time in line with the statutory deadline. There have been changes required to the accounts due to the work finalising the position on the Council's Assets 2019/20 accounts following the work of external audit. In addition, quality review work has been continuing and the opportunity to review the Collection Fund taken. The refreshed 2020/21 Statement of Accounts will be provided to the GPC for review and a specific meeting will be arranged for this purpose.

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Report Author:

Gareth Robinson  
Head of Corporate Finance  
[Gareth.Robinson@enfield.gov.uk](mailto:Gareth.Robinson@enfield.gov.uk)  
0208 132 1621

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#### **Background Papers**

None