



Report to the General Purposes Committee

LONDON BOROUGH OF ENFIELD

Audit Planning Report: year ended 31 March 2021

IDEAS | PEOPLE | TRUST



CONTENTS

1	Introduction	3
	Welcome	3
2	Executive summary	4
	Scope and materiality	4
	Audit strategy	5
	Audit risks overview	6
	Audit risks overview	7
	Independence and fees	8
3	Audit scope and objectives	9
	Overview	9
	Audit scope entities, components and audit risks	10
	Audit timeline	11
	BDO team	12
4	Audit risks	13
	Overview	13
5	Audit risks	14
	Overview	14
	Management override of controls	15
	Recognition of grant income	16
	Expenditure cut-off	17
	Valuation of non-current assets	18

	Classification of surplus assets and assets under construction	19
	Valuation of pension assets	20
	Valuation of pension liability	21
	Preparation of financial accounts	22
	Preparation of financial accounts	23
	pension liabilities of Independence and Wellbeing Enfield	24
	Use of Resources	25
	Financial sustainability	26
	Meridian Water and other regeneration projects	27
	Going concern	28
	Other matters requiring further discussion	29
	Other matters requiring further discussion	30
	Irregularities (including fraud)	31
	Accounting estimates	32
	IT general controls	33
6	Ethical Standard	34
	FRC Ethical Standard (December 2019)	34
7	Independence	35
	Independence	35
8	Appendices contents	36

WELCOME

CONTENTS

Introduction

Welcome

Executive summary

Audit scope and objectives

Audit risks

Audit risks

Ethical Standard

Independence

Appendices contents

We have pleasure in presenting our Audit Planning Report to the General Purposes Committee of London Borough of Enfield (the 'Council'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ended 31 March 2021 in respect of our audit of the financial statements and use of resources; comprising materiality, key audit risks and the planned approach to these; together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

This report contains matters which should properly be considered by the Council as a whole. We expect that the General Purposes Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We look forward to discussing this plan with you at the General Purposes Committee meeting on 14 October 2021 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

Lisa Blake
06 October 2021



Lisa Blake

Audit Partner

t: 01473 320716

e: lisa.blake@bdo.co.uk



Francesca Palmer

Audit Manager

t: 01473 320739

e: francesca.palmer@bdo.co.uk



Roopal Bakrania

t: 07890 317879

e: Roopal.Bakarania@bdo.co.uk

This report has been prepared solely for the use of the General Purposes Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

SCOPE AND MATERIALITY

Executive summary

CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risks overview

Audit risks overview

Independence and fees

Audit scope and objectives

Audit risks

Audit risks

Ethical Standard

Independence

Appendices contents

This summary provides an overview of the key audit matters that we believe are important to the General Purposes Committee in reviewing the planned audit strategy for the Council and Group for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

Audit scope

The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements and consolidated entities (together the 'Group'); reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties. The Code of Audit Practice was updated with effect from 1 April 2020 and as a consequence the scope of the use of resources work has changed for the year ended 31 March 2021. More information on this change is included on page 24.

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

Materiality

Planning materiality for the Council and the Group will be set at 1.75% of gross expenditure for the year (prior year 1.75%). This will be revisited when the revised draft financial statements are received for audit.

Although materiality is the judgement of the engagement lead, the General Purposes Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit. We have reduced our performance materiality (which determines testing level) this year due to the level of errors found in the 2019/20 audit. This will result in more substantive testing during the 2020/21 audit to gain the level of audit assurance required to give the opinion.



AUDIT STRATEGY

Executive summary

CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risks overview

Audit risks overview

Independence and fees

Audit scope and objectives

Audit risks

Audit risks

Ethical Standard

Independence

Appendices contents



Our audit strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher, or where there is a risk that the organisation has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have discussed the changes to the Council's systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the Group's activities and to determine which risks impact on the numbers and disclosures in the financial statements, or on its arrangements for securing economy, efficiency and effectiveness in its use of resources. It is important to note that, at the time of drafting, the Council's 2019/20 audit has not been signed off so we will revisit our planning risk assessment after the final results of that audit are known, and continue to update this assessment throughout the 2020/21 audit.

The table on the next page summarises our planned approach to audit risks identified. The key changes to the audit risks identified or their classification in the current year are:

- The CIPFA asset register migration is now complete and therefore no longer considered to present an audit risk
- Recognition of grant income has been added as a risk, due in part to receipt of COVID19 related grants

Housing benefit expenditure will be subject to a controls based audit approach, all other material areas will be subject to a substantive audit approach.

AUDIT RISKS OVERVIEW

Executive summary

Risks identified per our risk assessment - Financial statements	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
1. Management override: auditing standards presume management is in a unique position to perpetrate fraud by overriding controls.	Significant	Yes	Substantive	Medium
2. Recognition of grant income: there is a risk that income could be recognised before grant conditions are met.	Significant	Yes	Substantive	High
3. Recognition of expenditure: there is a risk that expenditure is recognised in an incorrect accounting period.	Significant	Yes	Substantive	Low
4. Valuation of non current assets: there is a risk that incorrect assumptions and estimates or inaccurate/incomplete input data is used in the valuation of properties.	Significant	No	Substantive	High
5. Classification of surplus assets and assets under construction: there is a risk that assets within the property, plant and equipment balance are not included within the correct classification.	Significant	No	Substantive	Medium
6. Pension assets valuation: there is a risk that inappropriate assumptions and estimates are used for the valuation of pension assets.	Significant	No	Substantive	High
7. Pension liabilities valuation: there is a risk that inappropriate assumptions and estimates are used for the valuation of the pension liability.	Significant	No	Substantive	High
8. Preparation of the financial statements: there is a risk that the financial statements presented for audit contain non-trivial errors or inadequate working papers and evidence are provided for audit.	Significant	No	Substantive	Low
9. Pension liabilities of Independence and Wellbeing Enfield: there is a risk that the pension liabilities relating to Independence and Wellbeing Enfield are not correctly treated within the Council's accounts following the winding up of the company.	Significant	No	Substantive	Medium

CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risks overview

Audit risks overview

Independence and fees

Audit scope and objectives

Audit risks

Audit risks

Ethical Standard

Independence

Appendices contents

AUDIT RISKS OVERVIEW

Executive summary

CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risks overview

Audit risks overview

Independence and fees

Audit scope and objectives

Audit risks

Audit risks

Ethical Standard

Independence

Appendices contents

Risk identified per our risk assessment - Use of resources	Risk rating	Relevant criteria	Audit approach	Impact of significant judgements and estimates
10. Meridian Water: inadequate arrangements to monitor progress of the Meridian Water development	Significant	Governance	Detailed assessment of project management plans	Low
11. Medium term financial strategy: inadequate arrangements in place to plan and manage resources to ensure continuous service delivery	Significant	Financial sustainability	Detailed assessment of MTFS and savings plans	Medium

INDEPENDENCE AND FEES

Executive summary

CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risks overview

Audit risks overview

Independence and fees

Audit scope and objectives

Audit risks

Audit risks

Ethical Standard

Independence

Appendices contents

Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent

Fees

	2020/21	2019/20
Code audit fee	¹ £132,104	² £132,104
Additional audit fees:		
• Use of resources new methodology	³ £19,000	N/A
• Additional work required in response to complexity of accounts	TBC	TBC
Total audit fees	TBC	TBC

Fee variances

¹The audit fee is based on audit scope under the Code of Audit Practice 2015. For London Borough of Enfield there is additional audit work required in response to the high level of audit risk present as a result of the level and complexity of issues encountered in recent years, changes in auditing standards as outlined on pages 28, 32, 34 and 43 and significantly greater pressure on auditors to deliver higher quality audits and to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the expectations of audit regulators. Additional fees for scope increases are only an estimate at this stage.

² The PSAA initial scale fee for the Council audit in 2019/20 was £132,104, due to the increased costs we have incurred as a result of the issues previously reported to this Committee including the fixed asset register migration, poor quality accounts and working papers, issue arising on property valuations and the impact of COVID19 we will be proposing a significant additional fee to management. This fee will then require review and approval by PSAA.

³ A new Code is effective for periods commencing 1 April 2020, which significantly increases the work of auditors for reporting on a body's use of resources. We estimate a fee variation of £19,000 to the scale fee for 2020/21 will be required to reflect the changes to the Audit Code of Practice (detail on page 25) which significantly increases the work required for reporting on a body's use of resources. Based on recent additional information published by PSAA we expect London Borough of Enfield to be at the higher end of the expected range, however this will be revisited once the work has been completed.

OVERVIEW

Audit scope and objectives

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Overview
Audit scope entities, components and audit risks
Audit timeline
BDO team
Audit risks
Audit risks
Ethical Standard
Independence
Appendices contents

Key components of our audit objectives and strategy for the Group are highlighted and explained on the following pages.

It is important to note that, at the time of drafting, the Council's 2019/20 audit is incomplete so we will revisit our planning risk assessment after the final results of that audit are known

Furthermore, audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Financial statements	We will express an opinion on the Council and Group financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information contained in the Statement of Accounts to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
WGA	We will review the Whole of Government Accounts (WGA) return and express an opinion on the return whether it is consistent with the audited financial statements.
Additional powers and duties	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to the Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Audit Completion Report to the General Purposes Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the General Purposes Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.
Use of resources and Auditor's Annual Report	We will provide an annual commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken during the year and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the Council. The Auditor's Annual Report is required to be published by the Council no later than 3 months after the audit opinion is issued.

AUDIT SCOPE ENTITIES, COMPONENTS AND AUDIT RISKS

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Overview

Audit scope entities, components and audit risks

Audit timeline

BDO team

Audit risks

Audit risks

Ethical Standard

Independence

Appendices contents

As Group auditor we are required to design an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion ISA (UK) 600.

A high-level overview of how we have designed the Group audit strategy is summarised below to ensure you have clear oversight of the scope of the work we intend to perform on each entity.

Audit Risks, covered later in this report, are cross referenced to each entity to provide clarity over how these arise within your business and where the focus of the audit work will be.

The clearly trivial threshold for all components has been set at the Group level, being £500,000.

Entity	Nature of Operations	Audit classification	Reason for classification	Audit Risks	Component Materiality and basis of assessment	Audit strategy
London Borough of Enfield	Provides full range of local authority services	Significant component	Parent entity and significant component of the group	Risks 1-9	£20.1m	Statutory audit performed by BDO UK
Housing Gateway Limited	Housing	Significant component	Risk due to asset valuation	Risk 4	Group Materiality as specified procedure	Statutory audit performed by other auditor. Specified procedures reviewed and completion of group instructions.
Enfield Innovations Limited	Property management	Non significant component	Size	N/A	N/A	Statutory audit performed by other auditor. Desktop review carried out by BDO.
Independence & Well Being Enfield Limited	Social care	Non significant component	Size	N/A	N/A	Statutory audit performed by other auditor. Desktop review carried out by BDO.
Lee Valley Heat Network (Energetik)Ltd	Energy trading	Non significant component	Size	N/A	N/A	Statutory audit performed by other auditor. Desktop review carried out by BDO.

AUDIT TIMELINE

An overview of the key dates

In 2019/20, across the local authority sector, there were a significant number of delayed audit opinions arising from additional audit resources required due to the increasing complexity of local authority financial statements, greater use of complex group structures and activities undertaken through subsidiaries and joint ventures, and pressure on auditors to deliver higher quality audits. These matters, against the backdrop of delivering audits remotely as a result of the pandemic, have impacted the delivery of grant certification work which, in turn, has significantly disrupted ability to deliver substantial interim audits. As a result of these combined factors, there are insufficient available specialist audit resources in the local public audit sector to deliver all local authority audit opinions ahead of the local authority publication deadline for 2021. We recognise that this is not an ideal situation for the sector but reflects the pressures on audit resources in local public audit.

In BDO, reflecting the above, our resource plans for 2020/21 extend beyond the 30 September local authority publication deadline set. In addition, for London Borough of Enfield specifically, we do not consider it feasible to deliver an audit of the scope, complexity and level of audit risk set out in this Audit Plan within a two month period, particularly when it has not been possible to conduct an interim audit. Furthermore, the 2019/20 audit has not yet been completed or signed due primarily to matters relating to asset migration and capital accounting more broadly, which is disrupting the planned timetabling of the 2020/21 audit.

We have agreed with management that we will risk assess our ability to deliver the audit timetable, setting realistic timelines for the preparation and provision of draft accounts and supporting working papers and evidence as well as for their audit.



CONTENTS
Introduction
Executive summary
Audit scope and objectives
Overview
Audit scope entities, components and audit risks
Audit timeline
BDO team
Audit risks
Audit risks
Ethical Standard
Independence
Appendices contents

BDO TEAM

Team responsibilities



Lisa Blake
Partner
t: 01473 320716
e: Lisa.blake@bdo.co.uk

As audit engagement lead I have primary responsibility to ensure that the appropriate audit opinion is given.

In meeting this responsibility I ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I will ensure that we have undertaken sufficient work to assess the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources against the guidance published by the National Audit Office.

I am responsible for the overall quality of the engagement and am supported by the rest of the team as set out here.



Francesca Palmer
Manager
t: 01473 320739
e: francesca.palmer@bdo.co.uk

I will lead on the audit of the Council. I work closely with Lisa to develop and execute the audit strategy. I will be a key point of contact on a day to day basis and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to management and the General Purposes Committee are highlighted on a timely basis.



Roopal Bakrania
Assistant Manager
t:07890 317879
e: Roopal.Bakarania@bdo.co.uk

I will be responsible for the day to day supervision of the audit team, and will be responsible for the delivery of the key audit work.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Overview
Audit scope entities, components and audit risks
Audit timeline
BDO team
Audit risks
Audit risks
Ethical Standard
Independence
Appendices contents

OVERVIEW

Audit risks

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements or impact on our use of resources opinion and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Risk area	Risk rating	Overview of risk
1. Management override	Significant	ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
2. Recognition of grant income	Significant	Auditing standards presume that income recognition presents a fraud risk. Therefore we have considered the risks relating to the various income streams received by the Council and concluded that recognising grant income before the conditions are met is a significant risk of material misstatement.
3. Recognition of expenditure	Significant	For public sector bodies the risk of fraud related to expenditure recognition is also relevant as the out turn of the Council can be manipulated by either including material expenditure that should be in the following year or excluding material expenditure that should be included in the current year.
4. Valuation of non current assets	Significant	There is a risk of valuation of assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end. There is also a risk of incomplete or inaccurate information used in the valuation of these assets.
5. Classification of surplus assets and assets under construction	Significant	There is a risk of misclassification of surplus assets and assets under construction due to the changes between categories that need to be manually processed through the asset register
6. Pension assets valuation	Significant	The valuation of the pension assets is a significant risk as it involves a high degree of estimation uncertainty. The Pension fund includes investments in private equity and unquoted infrastructure valued by the fund manager and these may not be based on observable market data.
7. Pension liabilities valuation	Significant	The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty and relies on the use of complex actuarial models and a high level of assumptions.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Overview
Audit risks
Ethical Standard
Independence
Appendices contents

OVERVIEW

Audit risks (continued)

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements or impact on our use of resources opinion and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Risk Area	Risk rating	Overview of risk
8. Preparation of financial accounts	Significant	Our audits in prior years have identified significant weaknesses in the Council's process for preparing the financial statements and working papers, and significant levels of misstatements including prior period adjustments have been identified for a number of years.
9. Pension liabilities of Independence and Wellbeing Enfield	Significant	The staff from Independence and Wellbeing Enfield, together with their pension liability have been transferred back to the Council on the winding up of the company. The treatment of this is a risk area due to the complex technical accounting requirements relating to pension liabilities.
10. Meridian water (use of resources)	Significant	Inadequate arrangements to monitor the project and lack of appropriate arrangements or schemes to intervene in the event that a project is no longer feasible may result in inefficient use of Council resources.
11. Medium Term Financial Strategy (use of resources)	Significant	There is a risk that the Council may not have adequate arrangements in place to plan and manage its resources to ensure it can continue to deliver services.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

MANAGEMENT OVERRIDE OF CONTROLS

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

Auditing standards presume management is in a unique position to perpetrate fraud by overriding controls.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. This could occur in areas such as income recognition before conditions are met, expenditure being recorded in the wrong period, accruals being incorrectly calculated or incorrect valuations being used for non current assets. We are required to consider this as a significant risk of material misstatement due to fraud.

Planned audit approach

Our audit procedures will include the following:

- Review and verification of journal entries made in the year, agreeing the journals to supporting documentation; we will determine key risk characteristics to filter the population of journals and use our IT team to assist with the journal extraction
- Evaluating estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias
- Testing an increased sample of accruals
- Assessing unadjusted audit differences for indications of bias or deliberate misstatement.

RECOGNITION OF GRANT INCOME

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

Auditing standards presume that income recognition presents a fraud risk.

Risk detail

Under auditing standards there is a presumption that income recognition presents a fraud risk. For the Council, we consider the risk of fraudulent revenue recognition to be in respect of the accuracy and existence (recognition) of grant income that may be subject to performance conditions before it can be recognised in the comprehensive income and expenditure statement (CIES) as revenue. Therefore we have considered the risks relating to the various income streams received by the Council and concluded that recognising grant income before the conditions are met is a significant risk of material misstatement. This risk has increased in the year due to the value of COVID19 related grants being received and potential for income to be deferred in to the following year to smooth the overall impact on income over 2 or more years.

Planned audit approach

Our audit procedures will include the following:

- We will test an increased sample of grants included in income to documentation from grant paying bodies and check whether any conditions attached to the grants have been met prior to recognition in the comprehensive income and expenditure statement (CIES).

Significant risk	■
Normal risk	
Fraud risk	■
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	■
Controls testing approach	
Substantive testing approach	■
Risk highlighted by Council	

EXPENDITURE CUT-OFF

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

For public sector bodies there is a risk of fraud related to expenditure recognition.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

For net-spending bodies in the public sector there is also risk of fraud related to expenditure. For the Council, we consider the risk of fraud to be in respect of the recognition of expenditure around the year-end within the correct accounting period (cut off). Due to the financial pressure that the Council is under in the medium term there may be an incentive to manipulate the year end position to show increased levels of spend in 2020/21 when COVID19 could be used as a reason for such an increase.

Planned audit approach

Our audit procedures will include the following:

- Checking that expenditure is recognised in the correct accounting period by substantively selecting items of expenditure based on a lower threshold, for both invoices received and bank payments made:
 - pre year end to reflect the increased risk that expenditure relating to future years is incorrectly recognised in the current year
 - post year end to reflect the increased risk that expenditure relating to inappropriately posted into 2021/22.

VALUATION OF NON-CURRENT ASSETS

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty. There is also a risk of incomplete and inaccurate information used in the valuation.

Significant risk	■
Normal risk	□
Fraud risk	■
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	■
Controls testing approach	■
Substantive testing approach	■
Risk highlighted by Council	■

Risk detail

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date. There is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

Additionally, in the prior year, we identified errors in the underlying property data held by the Council and provided to the valuer, such as incorrect gross internal areas held by the Council not being of the full area of the asset being valued or property being incorrectly classified (see next page), resulting in inaccurate valuations.

Planned audit approach

Our audit procedures will include the following:

- Reviewing the instructions provided to the valuer and the valuer’s skills and expertise in order to determine if we can rely on the management expert
- Confirming that the basis of valuation for assets valued in year is appropriate based on their usage
- Testing the accuracy and completeness of information provided to the valuer, such as rental agreements and sizes
- Assessing assumptions used by the valuer and movements against relevant indices for similar classes of assets
- Following up valuation movements that appear unusual
- Confirming that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.

CLASSIFICATION OF SURPLUS ASSETS AND ASSETS UNDER CONSTRUCTION

There is a risk over the classification of surplus assets and assets under construction due to the changes between categories that need to be manually processed through the asset register

Risk detail

The land for the Meridian Water project reflected a surplus asset balance of £200 million in the 2019/20 financial statements. The classification within surplus assets requires constant review and reassessment that this is the most appropriate basis for valuation as planning permissions are granted and the land moves from industrial to residential usage.

In the prior year we also identified errors in the valuation basis used for Meridian Water, and a number of assets that were classified as assets under construction when they had already been brought into use for service delivery, and therefore should have been transferred to a different asset class and had been valued on the incorrect basis (links to valuation risk on previous page).

Planned audit approach

Our audit procedures will include the following:

- Reviewing an increased sample of assets within assets under construction to ensure that they are not being used for service delivery as at 31 March 2021
- Reviewing the classification of Meridian Water assets within the financial statements and confirm that this is consistent with the basis for valuation, including consideration of changes to planning permission and development progress
- Reviewing an increased sample of surplus assets to ensure that they meet the definition of surplus assets within the CIPFA code of practice and are not in use by the authority for service delivery.

Significant risk	
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by Council	

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

VALUATION OF PENSION ASSETS

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

The valuation of the pension fund assets is a significant risk as it involves a high degree of estimation uncertainty.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

The Pension Fund investment portfolio includes unquoted infrastructure and private equity holdings which are valued by the fund manager. The valuation of these funds and underlying assets may be subject to a significant level of assumption or estimation and valuations may not be based on observable market data. In some cases, the valuations are provided at dates that are not coterminous with the Pension Fund’s year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. There may also be material changes to the underlying values of the assets within the fund between the valuation date of that entity and 31 March 2021.

As a result, we consider there to be a significant risk that these investments may not be appropriately valued in the financial statements.

Planned audit approach

Our audit procedures will include confirmation that the following procedures have been carried out by the Pension Fund Auditor:

- Obtain direct confirmation of investment valuations from the fund managers and copies of the audited financial statements (and member allocations) from the fund for infrastructure and private equity funds
- Confirm that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds where the financial statement date supporting the valuation is not coterminous with the Pension Fund’s year end
- Check whether there may have been material changes in the underlying value of the assets in the funds since the last valuation date and 31 March 2021 per market conditions and latest financial statements or partnership accounts and whether changes have been reflected in an updated valuation provided by the fund manager
- Ensure investments have been correctly valued in accordance with the relevant accounting policies
- Obtain independent assurance reports over the controls operated by both the fund managers and Custodian for valuations and existence of underlying investments in the funds.

VALUATION OF PENSION LIABILITY

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.

Planned audit approach

Our audit procedures will include the following:

- Agreeing the disclosures to the information provided by the pension fund actuary
- Reviewing the competence of the management expert (actuary)
- Reviewing the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data
- Reviewing the controls in place for providing accurate membership data to the actuary
- Contacting the pension fund auditor and requesting confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data
- Checking that any significant changes in membership data have been communicated to the actuary.

PREPARATION OF FINANCIAL ACCOUNTS

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

Our prior year audit identified weaknesses in the Council's arrangements for preparing the financial statements and working papers, and a significant number of misstatements were identified

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

Our prior year audit identified weaknesses in the Council's arrangements for preparing the financial statements and working papers, and a significant number of misstatements and control deficiencies were identified, resulting in us issuing an ISA265 report in October 2020 to this Committee. Issues identified during our audit included:

- We were unable to agree working papers to the accounts in all cases because not all supporting working papers had been prepared before our on site work commenced on the agreed date
- Although management confirmed that they had carried out a review of the financial statements before issue we identified a significant number of internal inconsistencies and presentational issues upon our initial review
- A number of cases of incorrect mapping such as schools balances being included within investments and employment expenses included within service expenses
- Incorrect assumptions used by the pension fund actuary, as well as the staff of a school that converted to an academy in the year not being removed
- Incorrect valuation basis used for some assets
- Prior period adjustments made that did not meet the requirements of IAS 8 and therefore had to be removed.

In addition a number of key roles in the finance department within the Council continue to be filled by temporary staff.

PREPARATION OF FINANCIAL ACCOUNTS

(Continued)

Our prior year audit identified weaknesses in the Council's arrangements for preparing the financial statements and working papers, and a significant number of misstatements were identified

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Planned audit approach

Our audit procedures will include the following:

- Review of internal quality assurance processes in place for the preparation and review of the financial statements and associated working papers
- Briefing finance staff on our expectations for good quality working papers and our requirements for completing and detailed and thorough interim visit
- Reviewing the consistency of the financial statements with underlying working papers before the start of the onsite audit visit
- Obtaining assurance that management has carried out a critical review of the financial statements before they are submitted for audit, including comprehensive explanations for all significant variances from the prior year
- Reducing our performance materiality level, the level that drives our testing thresholds, which will result in a higher proportion of items being sampled due to the risk of error.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

PENSION LIABILITIES OF INDEPENDENCE AND WELLBEING ENFIELD

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

The treatment of pensions related balances on the return of staff is a challenging area and subject to an increased risk of error.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

Independence and Welling Enfield Limited ceased trading on 30 June 2020 and the staff transferred back to the Council’s direct employment. There is a risk that the treatment of the pensions liability arising may not be compliant with the pension related agreements, the Local Government Accounting Code of Practice and/or International Financial Reporting Standards.

Planned audit approach

Our audit procedures will include the following:

- Review of transfer documentation relating to the pension liability
- Confirmation that returning staff have been correctly treated within the Council’s Single Entity liability
- Review of the accounting treatment of the pension liability within the Council’s single entity accounts.

USE OF RESOURCES

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

New Code of Audit Practice (“Code”)

The Comptroller & Auditor General has determined through a new Code and guidance that the key output from local audit work in respect of value for money (VFM) arrangements is a commentary as reported in the Auditor’s Annual Report, not a VFM arrangements ‘conclusion’ or ‘opinion’. There may be matters referred to in the auditor’s commentary that do not represent significant weaknesses in arrangements and where significant weaknesses are reported we are required to also report recommendations.

As auditors we need to gather sufficient evidence and document our evaluation of arrangements to enable us to draft our commentary under three reporting criteria. These criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** (‘Improving 3Es’) - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

In addition to new assessment criteria and commentary requirements, the scope of the new Code also considerably increases auditors’ requirements for documentation and management should expect an increase in requests for discussion and evidence to facilitate this requirement.

Risk of Significant Weakness

We are required to report the results of our risk assessment to those charged with governance, including additional work planned in respect of any identified risks of significant weakness, and to keep our risk assessment under continual review, with any changes again communicated to those charged with governance.

We are working through the implications of the new Code, including our risk assessment and a work programme that addresses risks of significant weakness identified. The risks identified to date are set out on pages 26 and 27.

Pertinent matters from early discussions with management include how the Council plans finances to support the sustainable delivery of services in accordance with its strategic and statutory priorities (Financial Sustainability), how the Council ensures it delivers its role, engages with stakeholders, monitors performance and acts for improvement within significant partnerships (Improving 3Es) and how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency (Governance).

FINANCIAL SUSTAINABILITY

There is a risk that the Council may not have adequate arrangements in place to plan and manage its resources to ensure it can continue to deliver services.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

Risk detail

The update to the Medium Term Financial Strategy (MTFS) to 2026/27 takes account of expected changes in funding for adult social care, the council tax and NNDR bases due to COVID, general grant funding and pension contributions as well as demographic and inflationary pressures.

In 2019/20 the Council reported a budget variance of £10.9m which was met from a combination of contingency budgets, other contingent items and the use of reserves. The Council had a target of £10.7m of savings and income generation in 2019/20 and achieved £9.3m of these.

For 2020/21 the Council set a balanced budget including £6.069 million savings target which was achieved, however the net overspend of £1.5m was funded by the use of flexible capital receipts.

For 2021/22, the Council set a balanced budget including investment in services of £0.66 million and savings target/ income generation proposals of £12.997 million. The Council propose to meet this target by development of the 'Themes' work (the collective name given to the Council's specified focus areas for targeted savings and income generation), invest to save plans and departmental savings targets.

The total savings gap over the next five years from 2022/23 is £46.673 million (including the impact of identified savings totalling £3.6m). The revised gaps (after savings and income generation) are £13.685 million, £7.2 million, £6.6 million, £9.3 million and £9.9 million for 2022/23, 2023/24, 2024/25 2025/26 and 2026/27 respectively.

The savings targets are significant and achievement of these is inherently challenging given the previous use of reserves to fund deficits. The Council acknowledges that the continued support from reserves is not be viable given that the unallocated General Fund reserves now sits at only £13.95 million and income generation is therefore a focus.

The Council will need to deliver significant savings and generate further income to maintain financial sustainability in the medium term and there is a risk that these plans may not be delivered.

Planned audit approach

Our audit procedures will include the following:

- Reviewing the assumptions used in the Medium Term Financial Strategy and assess their reasonableness
- Monitoring the delivery of the budgeted savings in 2020/21 and the plans to reduce services costs and increase income from 2020/21
- Assessing the strategies to close the budget gap

MERIDIAN WATER AND OTHER REGENERATION PROJECTS

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

These projects represent significant investment by the Council and there is a significant risk that the public money being invested does not deliver value for money if the projects are not successfully managed.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

The Council is continuing the work to deliver a range of large scale regeneration projects aimed at increasing the capacity of the Borough to provide housing and employment for its residents, most notably the Meridian Water project.

These projects represent significant investment by the Council and there is a significant risk that the public money being invested does not deliver value for money if the projects are not successfully managed with appropriate governance in place.

Planned audit approach

As part of our audit procedures, we will review the:

- programme and project management arrangements instigated by management to govern the delivery of the regeneration projects and ensure that the anticipated benefits are realised
- oversight procedures by councillors such as review of risk registers to ensure that elected members are appropriately sighted as to the current position of the development works

GOING CONCERN

Directors are required to make an assessment of the Council's ability to continue as a going concern.

Directors' responsibilities

It is the directors' responsibility to make an assessment of the Council's ability to continue as a going concern to support the basis of preparation for the financial statements and disclosures in the financial statements. This is a requirement of the accounting standards.

This assessment should be supported by detailed cash flow forecasts with clear details of the key underlying assumptions, consideration of available finance throughout the forecast period, and a consideration of the forecast's sensitivity to possible variations in those assumptions along with any other relevant factors.

The going concern assessment should cover a minimum of 12 months from the date of the directors' approval of the financial statements. However, consideration should also be given to any major events or circumstances that may fall outside this period.

Audit responsibilities

Our responsibilities in respect of going concern are:

- To obtain sufficient appropriate audit evidence regarding, and conclude on, i) whether a material uncertainty related to going concern exists; and ii) the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements
- To report in accordance with ISA (UK) 570.

We will obtain an understanding of the business model, objectives, strategies and related business risk, the measurement and review of the Council's financial performance including forecasting and budgeting processes and the Council's risk assessment process. We will evaluate:

- The Council's method, including the relevance and reliability of underlying data used to make the assessment, whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other
- The Council's plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances
- The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

OTHER MATTERS REQUIRING FURTHER DISCUSSION

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

Fraud

Whilst the directors of the Council have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We have been made aware of a small number of low value actual, alleged or suspected incidences of fraud reported by the Council. We request confirmation from the General Purposes Committee on the risks and existence of fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Management believe that there is low risk of material misstatement arising from fraud and that controls in operation would prevent or detect material fraud.

Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the CIPFA Code of Practice on Local Authority Accounting 2020/21 under the circumstances.

Significant accounting estimates and judgements

We will report to you on significant accounting estimates and judgements. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historical judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We will review the reports issued by the Council's internal audit function although we do not plan to place reliance on their work in respect of their assessment of control processes for the accounts audit. We expect to place reliance on internal audit's work on the Council's arrangements under the new methodology applicable for our use of resources work. If as a result of our review, we conclude that reliance is not possible, we will report this to you and also perform alternative procedures.

Laws and regulations

We will consider compliance with laws and regulations. The most significant of these for your organisation includes VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We will make enquiries of management and review correspondence with the relevant authorities. Specialist teams within BDO will review VAT and employment tax compliance.

OTHER MATTERS REQUIRING FURTHER DISCUSSION

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment of fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management.

Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

Contingencies

We request input from the General Purposes Committee on recent claims.

Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.



IRREGULARITIES (INCLUDING FRAUD)

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

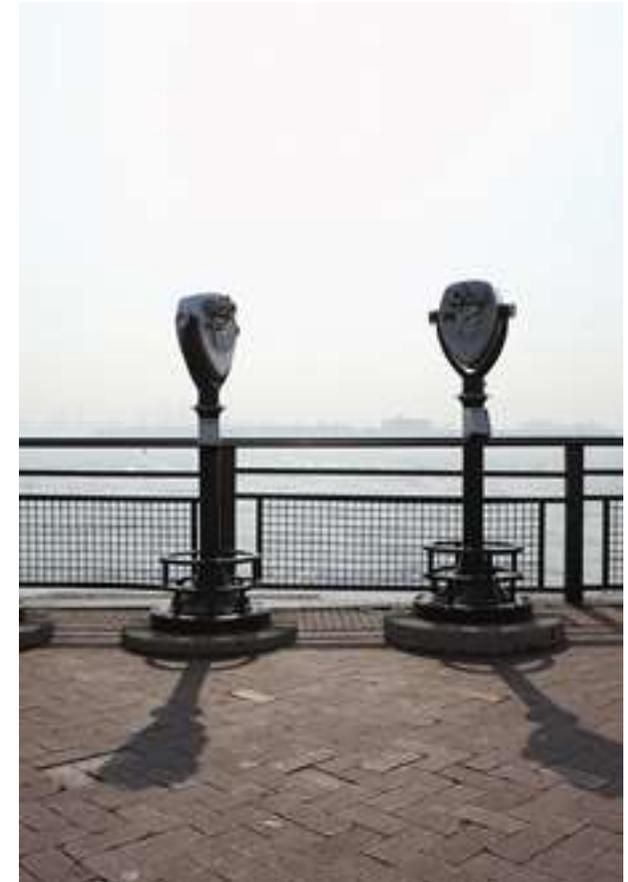
We are required to include in our auditor's report an explanation of the extent to which the audit is considered capable of detecting irregularities (non compliance with laws and regulations), including fraud.

Our audit is designed to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error. We design audit procedures to respond to the risk of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

Our audit work will focus on laws and regulations that could give rise to a material misstatement in the Council's financial statements and may include, where appropriate:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations
- Enquiries of management, those charged with governance and the Council's legal advisers
- Agreement of the financial statement disclosures to underlying supporting documentation
- Review of minutes of Council and Cabinet meetings throughout the year and of correspondence with regulatory authorities
- Written representations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.



ACCOUNTING ESTIMATES

Revision to ISA (UK) 540 means that we may need to update our approach to the audit of accounting estimates - including confirmation and documentation of our understanding of the Council's estimation process.

We will need to obtain an understanding of how you control your estimation process including not only the design and implementation of the process, but also the policies and procedures you put in place to satisfy yourself that each step in the process is properly applied, and that the resulting accounting estimates are reasonable.

For significant accounting estimates, particularly those that are complex or where there is a high degree of estimation uncertainty we will also make enquiries about how you:

- Make those responsible for deriving or changing your accounting estimates aware of relevant significant transactions, conditions or events
- Review the outcome(s) of previous accounting estimates and respond to the results of that review
- Identify and comply with the relevant requirements in the applicable financial reporting framework regarding your accounting estimates and related disclosures including how they are affected by complexity and your judgment
- Account for regulatory factors relevant to the Council's accounting estimates;, including, when applicable, regulatory frameworks related to prudential supervision
- Identify the need for, and apply, specialised skills or knowledge related to accounting estimates, including with respect to the use of a management's expert
- Identify and address risks related to accounting estimates through your risk assessment process

- Identify relevant methods (including models), assumptions and data and the need for changes in them, to select those to apply
- Address the degree of estimation uncertainty in selecting your final point estimates
- Describe in your financial statements matters related to your process for deriving your accounting estimates, and matters related to the degrees of estimation uncertainty underlying your accounting estimates
- Ensure there is oversight and governance in place over management's financial reporting process relevant to accounting estimates.

Under ISA (UK) 540 (revised) our audit approach will involve a more granular risk assessment relating to each significant estimate and separate consideration of the methods (or models) applied in calculating the estimate, the nature, source and reliability of data used and the significance, consistency and appropriateness of assumptions made.

We will also request written representations from you regarding the reasonableness of the methods, significant assumptions and the data used in determining the monetary amounts of accounting estimates, including the related disclosures, in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21.

IT GENERAL CONTROLS

IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.

We will also obtain an understanding of the information system, including the related business processes relevant to financial reporting, to include:

- SAP (including Neptune)
- Civica Open revenues
- Care First
- Northgate
- Pay 360
- ASH



CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Overview
Management override of controls
Recognition of grant income
Expenditure cut-off
Valuation of non-current assets
Classification of surplus assets and assets under construction
Valuation of pension assets
Valuation of pension liability
Preparation of financial accounts
Preparation of financial accounts
pension liabilities of Independence and Wellbeing Enfield
Use of Resources
Financial sustainability
Meridian Water and other regeneration projects
Going concern
Other matters requiring further discussion
Other matters requiring further discussion
Irregularities (including fraud)

FRC ETHICAL STANDARD (DECEMBER 2019)

In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines as applicable to our audit of the Council.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Ethical Standard
FRC Ethical Standard (December 2019)
Independence
Appendices contents

INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

We have embedded the requirements of the auditing standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement.

This document considers such matters in the context of our audit for the year ending 31 March 2021.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

We also confirm that we have obtained confirmation that external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

Non-audit services

We are not providing any non-audit services for the year ended 31 March 2021.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Audit risks
Ethical Standard
Independence
Independence
Appendices contents

APPENDICES CONTENTS

CONTENTS

[Appendices contents](#)

Responsibilities

Independence

Materiality

Accounting Standards

A	Responsibilities	37
	Council's responsibilities	37
	Our responsibilities	38
	Communication with you	39
B	Independence	40
	Team member rotation	40
C	Materiality	41
	Materiality: Definition and application	41

	Materiality: Definition and application	42
--	---	----

D	Accounting Standards	43
---	----------------------	----

	New Accounting Standards, Auditing Standards and Other Financial Reporting Developments	43
--	--	----

COUNCIL'S RESPONSIBILITIES

The Council's responsibilities and reporting

CONTENTS

[Appendices contents](#)

[Responsibilities](#)

[Independence](#)

[Materiality](#)

[Accounting Standards](#)

Financial reporting

The Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Council accounts for its stewardship and use of the public money at its disposal.

The form and content of the Council's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Council is also required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury's Whole of Government Accounts.

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2020/21, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.

Use of resources

Councils are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a Governance Statement.

In preparing its Governance Statement, the Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

OUR RESPONSIBILITIES

Responsibilities and reporting

CONTENTS
Appendices contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Accounting Standards

Our responsibilities and reporting - financial reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the ‘other information’ contained in the Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

Our responsibilities and reporting - use of resources

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This means that we have regard to relevant guidance issued by the National Audit Office and undertake sufficient work to be able to satisfy ourselves as to whether the Council has put arrangements in place that support the achievement of value for money and to provide an annual commentary on arrangements in the Auditor’s Annual Report.

What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Council and the General Purposes Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



COMMUNICATION WITH YOU

CONTENTS

Appendices contents

Responsibilities

Our responsibilities

Communication with you

Independence

Materiality

Accounting Standards

Those charged with governance

References in this report to ‘those charged with governance’ are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the General Purposes Committee.

In communicating with the General Purposes Committee, representing TCWG of the parent and the Group, we consider TCWG of subsidiary entities to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Audit Planning Report

The Audit Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the report.

Auditor’s Annual Report

We will provide an annual commentary on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken during the year and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the Council. The Auditor’s Annual Report is required to be published by the Council within 3 months of the date of the audit opinion.

TEAM MEMBER ROTATION

These tables indicate the latest rotation periods normally permitted under the independence rules of the FRC’s Ethical Standard.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.



- CONTENTS
- [Appendices contents](#)
- Responsibilities
- [Independence](#)
- Materiality
- Accounting Standards

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
Lisa Blake Engagement lead	1	5 years
Francesca Palmer Manager	2	10 years

Independence - audit quality control

	Number of years involved	Rotation to take place after
Engagement quality control reviewer	3	10 years

MATERIALITY: DEFINITION AND APPLICATION

CONTENTS

[Appendices contents](#)

[Responsibilities](#)

[Independence](#)

[Materiality](#)

[Accounting Standards](#)

Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Instances when greater precision is required (e.g. disclosure of senior officers' remuneration and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the Group, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the Group financial statements.

Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

Definition of materiality under IFRS

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

MATERIALITY: DEFINITION AND APPLICATION

CONTENTS

Appendices contents

Responsibilities

Independence

Materiality

Materiality: Definition and application

Accounting Standards



If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the General Purposes Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

NEW ACCOUNTING STANDARDS, AUDITING STANDARDS AND OTHER FINANCIAL REPORTING DEVELOPMENTS

We would like to draw to your attention the following summary of key changes to standards, regulations and other financing reporting developments, their effective dates and an indication, based on preliminary discussions with management and our sector understanding, of their possible effect on the annual report.

New Accounting Standards, Auditing Standards and Other Financial Reporting Developments	Expected effect				Effective for periods beginning on or after 1 January	
	None	Low	Medium	High	2020	2021
Amendments to IFRS 3 <i>Definition of a business</i>		●				●
Auditing standard - audit of accounting estimates						
Increased emphasis on understanding management's processes, systems and controls estimation uncertainty and financial statement disclosures			●		●	
Auditing standard - going concern						
Increased emphasis on evaluation of management's assessment of the entity's ability to continue as a going concern			●		●	
Auditing standard - audit reports						
New audit report format with updated conclusion on going concern and reference to irregularities, including fraud			●		●	

FOR MORE INFORMATION:

Lisa Blake

t: 01473 320716

e: lisa.blake@bdo.co.uk

Francesca Palmer

t: 01473 320739

e: francesca.palmer@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

© 2021 BDO LLP. All rights reserved.

www.bdo.co.uk