

## London Borough of Enfield

### General Purposes Committee

29 June 2022

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**Subject:** Update on the Audit of the 2020/21 Statement of Accounts and Pension Fund and progress on the 2021/22 Council's Accounts

**Cabinet Member:** Cllr. Leaver, Cabinet Member for Finance & Property

**Executive Director:** Fay Hammond, Executive Director Resources

**Key Decision:** N/A

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#### **Purpose of Report**

1. This report provides an update on the audit of the 2020/21 Statement of Accounts and Pension Fund and provides an update on the work underway to produce the Council's Accounts for 2021/22.

#### **Proposals**

2. General Purposes Committee is recommended to:
3. Note the update provided in the report.

#### **Reason for Proposals**

4. A core General Purposes Committee role is to review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

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

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

#### **Background & Progress to Date**

6. The 2020/21 draft Statement of Accounts was published on 1 August 2021 and reported to the General Purposes Committee meeting on 4 August 2021.
7. At the GPC meeting on 3 March BDO presented the 2020/21 Audit Plan. The Audit Partner advised that some of the interim work had commenced on the audit of the 2020/21 accounts although there would be an impact on the work due to the 2019/20 statement of accounts remaining at audit stage.
8. Since the update provided at the 3 March meeting of the GPC the first phase of the 2020/21 accounts audit has been completed. This took place

from 1 March to 22 April. During this period the focus of the audit was the Council's surplus assets and housing dwellings, most of the work was completed, however, is subject to the Audit Manager's review.

9. As part of the audit the Council asked the BDO team to provide the transaction samples listings as this would allow the LBE Finance Team more time to prepare the information in advance of the second phase of the audit in July. Most of the sample requests had been provided to LBE staff by the end of the first phase of the audit. In some cases, the audit samples requested were returned to BDO and have been reviewed as part of the first phase of the audit.
10. Since the completion of the first phase of the audit the majority of the remaining transaction samples have been completed and provided to BDO in advance of the July audit.
11. There was good progress on the first phase of the audit which was assisted by weekly face to face meetings between the BDO audit team and the LBE Finance Team.
12. An audit resource plan has been requested for the second phase of the audit, which is due to commence 11 July. BDO have advised that the plan will be provided in early June following a resource planning meeting on 31 May.
13. Due to the ongoing delays with the 2019/20 audit, there is a risk that the 2020/21 audit may be delayed until 2019/20 accounts have been signed off. The 2019/20 audit progress is being closely monitored and regular meetings are held with the Audit Partner.
14. The main delays with the 2019/20 audit relate to the reallocation of BDO audit staff resources to other and the sector wide infrastructure assets issues which are subject to consultation. The consultation outcome is expected at the end of June 2022 and we will be unable to close either 2019/20 or 2020/21 accounts until a sector wide solution for this issue has been established by CIPFA.

#### **Pension Fund Accounts 2020/21 Audit and Financial Position**

15. BDO have confirmed that the Pension Fund Accounts 2020-21 audit will be completed by the same Audit Manager as the Council's main accounts. The audit is expected to take place alongside the second phase of the audit from July onwards.
16. The Fund's assets performed remarkably well with the asset value increasing by £256m in this financial year. The overall improvement was due to the out performance of the financial markets in which the Fund held its investments and a net addition from dealings with members.
17. The net asset statement represents the net worth (£1,406m) of the Fund as of 31st of March 2021.

#### **2021/22 Closure of Accounts update**

18. The statutory deadlines for draft and audited accounts for 2021/22 are the 1 August 2022 to produce draft accounts and these need to be audited and signed off by 30 September.

19. The national capacity and timeframe challenges for all audit firms, also applies to BDO and it is likely that Enfield's audit work will be delayed until the 2020/21 audit has been completed. The timetable for the 2021/22 Annual Accounts audit has not been discussed with BDO at this stage due to the delays with signing off the 2019/20 Accounts. Once the 2019/20 audit is complete any impact on the 2020/21 audit timelines and the planning for the 2021/22 audit will be reviewed and discussed with BDO.
20. The Council has a detailed timetable to produce its draft accounts by 1 August and will have the accounts, working papers and the appropriate transaction listings to enable the auditors to select samples all available on this date. The final statements are actually scheduled to be complete in early July which gives an extended period of quality review to be undertaken ensuring the drafts accounts are of a higher standard.
21. Overall, there have been delays in the work programme for closing 2021/22 due to key staff changes in the Finance Team, delays in receiving some of the asset valuations and work required for the 2019/20 and 2020/21 audits. The team is still on course to have the draft accounts available as above.
22. As at 1 June, all accruals were in the ledger. This was later than planned but there is greater assurance with their quality with Accruals Panels being in place. Similarly, all provisions have been produced and posted to the ledger with quality review undertaken by the Head of Budget Challenge and sign off from the Director of Finance – Corporate, Deputy S151 Officer.
23. All the valuations have had challenge sessions to reduce the risk of future audit challenges. Sanderson Weatherall have taken over from Strutt and Parker in respect of the housing dwellings valuations for the 2021/22 valuations.
24. The Collection Fund continues to have challenges in 2021/22. This is due to key staff changes in the Finance Team and the vacant Corporate Accountant – Collection Fund post in addition to the complexities of Covid 19 related funding. The team has made use of LG Futures support for 2021/22 providing a more robust closure and also upskilling and development of the team.
25. Grant accounting was identified as a major area of weakness in 2019/20, with entries in the Accounts incorrectly coded, leading to numerous audit queries. Every item on the Grant register has been reviewed by Corporate Finance and business partners in revenue and capital are being challenged over detailed backing and coding. This has been a significant undertaking as there are approximately 150 individual lines on the register and the work is due to conclude on 10 June.
26. The draft capital outturn position has been completed and the capital finance transactions will be posted by 10 June.
27. The draft final Outturn was originally scheduled to be available for 23 May, this is now expected on 13 June following the completion of the grants register work and assets related transactions.
28. Of the outstanding work, Balance Sheet Justifications (BSJs) is a key area of focus currently. This area has historically been weak and ensuring they are of appropriate quality reduces misstatements in the Accounts. This is currently the focus of the Corporate Finance team, who are working across

the entire Finance team. There is a quality review process whereby each of the Balance Sheet Justification forms are checked by both the manager and a Quality Assurance Panel.

29. The Asset Register has been rolled over to 2021/22 however, it is yet to be updated for 2021/22 changes due to an issue with the depreciation calculation. The issue has been raised with the CIPFA consultant and is expected to be looked at week commencing 6 June. The position is being kept under review.
30. Technical Accounting entries, both revenue and capital, such as creation of assets and IAS19 are overdue because the Outturn was marginally later than planned and because of the time spent on Balance Sheet Justifications and Grants. At this point, this is not affecting the accounts timetable overall because of review time being spent earlier, rather than later, in the timetable. The timetable progress is monitored by the Director of Finance - Corporate (Deputy Section 151 Officer) to ensure that the Accounts are still delivered to deadline.
31. The Pension Fund Accounts are running slightly behind time due to one of the fund valuations being delayed until late June.
32. The narrative statement is being started as the Outturn is largely finalised. It is being led by the Section 151 Officer.
33. The main statements, notes and Group Accounts are yet to be started but that has already been accounted for in the timetable. The draft accounts will, therefore, be available and published in line with the statutory deadlines.

## **Resources**

34. Undertaking work on multiple Statement of Accounts is putting pressure on the Finance Team and the intention is to retain the interim Chief Accountant and Deputy Chief Accountant across this period. There is already a permanent Deputy in the team and the permanent Chief Accountant joined the Council on 24 January. The Council has also strengthened its director level resource with both the Finance Director Corporate and Finance Director Capital & Commercial who joined on 21 February.
35. **Safeguarding Implications**
36. There are no Safeguarding implications arising from this report.
37. **Public Health Implications**
38. There are no Public Health implications arising from this report.
39. **Equalities Impact of the Proposal**
40. There is no Equality impact arising from this report.
41. **Environmental and Climate Change Considerations**
42. There are no Environmental and Climate Change implications arising from this report.
43. **Risks that may arise if the proposed decision and related work is not taken**
44. The report is for noting, there is no decision required.

45. **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**
46. The report is for noting, there is no decision required.
47. **Financial Implications**
48. There are no direct financial implications beyond that an unqualified set of Accounts demonstrates that the Council is a 'going concern' and that any audit changes may materially affect the underlying net worth of the entity.
49. **Legal Implications**
50. The responsibilities for the framework within which local authority audits are conducted is the Local Audit and Accountability Act 2014. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the 2014 Act. Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. A Code of Audit Practice came into force on 1 April 2020, after being approved by Parliament. The new Code applies to audits of local bodies' 2020-21 financial statements onwards: The detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code are being drafted.
51. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.
52. The Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the Council.
53. The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
  - Statements of Accounts prepared in accordance with the statutory framework by the Accounts and Audit (England) Regulations 2015
  - The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Local Audit and Accountability Act 2014.
54. **Workforce Implications**
55. There are no Workforce Implications arising from this report.
56. **Property Implications**
57. There are no Property Implications arising from this report.
58. **Other Implications**
59. None.
60. **Options Considered**
61. The report is providing an update and alternative options are not required.
62. **Conclusions**

63. The first phase of the 2020/21 Annual Accounts audit has been completed with good progress made. The second phase of the audit is due to commence on 11 July 2022.
64. There is a risk that the second phase of the 2020/21 Annual Accounts audit could be delayed due to the ongoing delays of the 2019/20 Annual Accounts audit work and the outcome of the consultation relating to infrastructure assets which is due the end of June 2022.
65. The 2021/22 Annual Accounts are being prepared, some delays have been encountered however, it is anticipated that the accounts will be published by the 1 August 2022.

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