



London Borough of Enfield

Report Title:	Draft 2022-23 Statement of Accounts and audit update
Report to:	General Purposes Committee
Date of Meeting:	28 June 2023
Cabinet Member:	Cllr. Leaver, Cabinet Member for Finance & Property
Directors:	Fay Hammond, Executive Director Resources
Report Authors:	Annette Trigg Strategic Head of Corporate Finance Kevin Bartle Interim Director of Corporate Finance
Ward(s) affected:	N/A
Key Decision Number	N/A
Implementation date, if not called in:	N/A
Classification:	Part I Public
Reason for exemption	N/A

Purpose of Report

1. This report includes the draft 2022/23 Statement of Accounts and provides an update on the audit status for each year of the open accounts. London Borough of Enfield has open, unaudited accounts for the three financial years 2019/20, 2020/21, and 2021/22.

Recommendations

- I. To note the draft 2022/23 Statement of Accounts and the publication of the accounts by the deadline of 31 May 2023.
- II. To note the information provided within this report on the progress of audit of LBE's open sets of accounts since the March General Purposes Committee meeting.
- III. To note the current accumulated backlog of open, unaudited statements of accounts.
- IV. To formally request from BDO an update at the October 2023 General Purposes Committee meeting detailing their audit plan for completing the audits and the staff resourcing strategy to provide targeted progress.

2. General Purposes Committee is recommended:

Background and Progress to Date

3. 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.
4. The 2022/23 draft Statement of Accounts publication deadline was brought forward to 31 May, two months earlier than the 31 July, 2021/22 deadline. This was a challenging deadline for all Local Authorities in view of the ongoing audit issues and resourcing pressures.
5. The General Purposes Committee are familiar with the backlog of the Council's unaudited statement of accounts (including Pension Fund) for the financial years 2019/20, 2020/21 and 2021/22. The focus remains on working with our external auditors, BDO, to finalise the audit of 2019/20, which then allows progress onto the audit of 2020/21 and subsequently 2021/22.

2022/23 draft Statement of Accounts

6. The 2022/23 draft Statement of Accounts is attached. The accounts were published on 31 May 2023 in accordance with the earlier publication deadline. Enfield Council was one of only eight London Councils to meet this challenging deadline, which was a significant achievement.
7. The achievement of the earlier deadline was a result of planning early, improvements in processes and establishing a more stable team within the finance department.

8. The format of the 2022/23 draft Statement of Accounts document has also been reviewed and updated.

2019/20 Statement of Accounts Audit

9. The finalising of the audit of the Council's 2019/20 accounts (including Pension Fund) remains of critical importance, given the time elapsed since publication of the draft version and with it being the first item on the critical path through the audit of open accounts. Whilst BDO had previously begun to audit 2020/21 with 2019/20 still open back in March 2022 (before turning attention to NHS audits), BDO have made it clear in subsequent months that 2019/20 needs to be closed before work on the 2020/21 audit recommences.
10. The 2019/20 audit work required by the Council's officers has been progressed as far as possible, however some areas of the work were put on hold to focus on ensuring the Council could meet the draft Statement of Accounts earlier publication deadline of 31 May.
11. BDO advised that the 2019/20 audit could not be concluded before the start of their NHS audits in April and the work would therefore slip until later in 2023.
12. Included in the March 2023 report to GPC, there were five areas of work to be resolved which are listed below which have also been updated to reflect the latest position.
 - a. **Infrastructure assets**, CIPFA issued guidance in January following the Statutory Instrument which was issued in December.

June 2023 update: BDO has set up a technical panel to review the Infrastructure Assets information provided by their Local Authorities clients in response to the revised requirements. BDO have been advised that not all issues have been resolved at this stage. Council officers have provided the information requested to BDO for consideration. Some of this information was provided to BDO this month due to the closure of the 2022/23 being a priority. We are now waiting for a response from BDO.
 - b. **Schools and Other Land and Buildings** assets where revaluations show significant variances between the latest and previous valuations.

June 2023 update: Council officers have worked closely with the Council's external valuers, property colleagues and BDO staff to resolve the issues. The assets where valuation corrections are required have been listed and provided to BDO for review prior to the final changes being made to the 2019/20 Statement of Accounts. Council officers are now waiting for a response from BDO and no further work is required by the Council at this stage.
 - c. **HRA garage valuations** were commissioned as part of the 2022/23 valuations process. It was clear that the valuation changes

would result in a significant change which may impact prior years' accounts.

June 2023 Update: The work to assess the valuation changes was completed and provided to BDO for review. BDO carried out audit testing of this work and followed up with queries to the Council's external valuer. The review of the audit work completed is now with the BDO Senior Audit Manager for review. At this stage the Council has no outstanding work to complete and is waiting for the outcome of the audit review work before the valuation changes can be made in the 2019/20 accounts.

- d. **LBE responses to BDO EQCR (Engagement Quality Control Reviewer)** the Council's review of the comments have been delayed whilst the assets work was being finalised as the outcome of the changes could also impact this work.

June 2023 Update: This work has been delayed further due to the completion of the asset's valuation work and the focus on the completion of the 2022/23 draft Statement of Accounts by the 31 May 2023 publication deadline. The Council has recommenced the work following the publication of the 2022/23 accounts and are aiming to provide the responses to BDO before the end of June.

- e. **BDO internal quality reviews by the EQCR** of housing assets Beacons, Pension Fund and other audit work were in progress but were not completed prior to the NHS audit work.

June 2023 Update: Due to the need to complete further work on the 2019/20 accounts the EQCR has been delayed except for the Pension Fund Accounts which is ongoing and the target is for this to be completed before the end of June 2023.

13. The corrections to the asset valuations above tighten and improve baseline asset information further, reducing risk of problems for future years.

Timescales for the completion of the 2019/20 BDO Audit work

14. The vast majority of the accounts audit is complete, with only residual work remaining on finalising the infrastructure issue and clearing quality review points. BDO have advised the Council that they are proposing to re-commence this work in September and issue an audit opinion in November this year.

15. As part of the update from BDO they have advised that the Use of Resources work needs updating to reflect the Statement of Accounts draft accounts and supporting working papers preparation and quality control issues. BDO plan to qualify their Value for Money opinion.

2020/21 Statement of Accounts Audit

16. There has been no change in the status of this audit since the last General Purposes Committee.
17. As was reported to June 2022 GPC, BDO completed the first phase of their audit of LBE's 2020/21 main accounts over February and March

2022, focusing primarily on fieldwork relating to Property Plant and Equipment. The second phase of the audit recommenced on 7 November with the first week spent on the audit planning. The focus of the audit up to the end of January was on Property, Plant and Equipment, sample testing of transactions and reviewing the working papers and samples submitted to BDO earlier this year. The Pension Fund accounts audit commenced in December and work continued into February. The Pensions audit work is around 70% complete. The remaining BDO audit work will be completed when the 2020/21 audit restarts, this will be after the 2019/20 audit has been completed by BDO.

18. BDO's work on the 2020/21 audit has now been substantively paused and will not recommence until late July after the NHS audits have been completed. This is, in part, to enable 2019/20 accounts to be finalised but also due to ongoing BDO staff resourcing pressures. LBE have asked BDO to provide an audit plan for the remaining 2020/21 audit work, which has not yet been provided. LBE have also requested that BDO undertake a pattern of work which would enable longer unbroken concentration of audit work thus avoiding ongoing changes to the audit team.

2021/22 Closure of Accounts update

19. There has also been no change in the status of this audit since the last Committee.
20. The 2021/22 accounts were published on 31 July 2022, in line with the statutory deadline, and the link to the accounts circulated to GPC members. However as already outlined within this report, BDO's sequential working through of LBE's statements of accounts from earliest to latest means that there will be a considerable wait for the audit of the 2021/22 accounts; with 2019/20 and 2020/21 to be finalised first.
21. It should also be noted that, with 2019/20 and 2020/21 accounts remaining open, the opening balances for the 2021/22 financial year have not been formally signed off and remain subject to review which is also the case for the 2022/23 accounts.

National Audit Position

22. The General Purposes Committee have been made aware of the capacity issues and challenges within the audit market nationally, and the conversations that LBE officers have had with Public Sector Audit Appointments (PSAA) who operate and manage the audit contracts between local authorities and the audit firms. It should be noted, however, that the PSAA do not have contract performance management responsibilities for the audit firms they have appointed through the national framework, so their ability to improve the position is limited.
23. The national issue of delays in external audit is beginning to have a wider impact, as reported in LGC early this month, this is impacting on the sign off on entire government departments.

24. The table below shows the latest Local Authority audit position.

Audit Opinions data 2015/16 to 2021/22

Audit year Publishing date	Number of opted in bodies	Percentage of audits complete by publishing date	Number of audits outstanding per financial year As at 31 May 2023	Number of audits by oldest year outstanding
2021/22 30 Nov	467	12%	343 (73%)	215
2020/21 30 Sep	474	9%	128 (27%)	92
2019/20 30 Nov	478	45%	36 (8%)	26
2018/19 31 Jul	486	57%	10 (2%)	8
2017/18 31 Jul	494	87%	2	1
2016/17 30 Sep	497	95%	1	0
2015/16 30 Sep	497	97%	1	1

As at 31 May 2023



Next Steps/Actions

25. Finalising of the 2019/20 audit remains the priority. However as in previous years BDO's resources have been diverted to NHS audits from March to July and BDO have proposed that they recommence the 2019/20 audit work in September 2023 with the aim of issuing the audit opinion in November 2023.
26. Following the publication of the 2022/23 draft Statement of Accounts. The Council Finance Team is now focusing on resolving the remaining 2019/20 Statement of Accounts EQCR responses to provide these to BDO by the end of June.
27. The Council Finance Team will also be finalising the 2022/23 working papers to ensure they are ready for the audit when it takes place and will continue to make further improvements to the closing processes in preparation for the 2023/24 accounts.
28. When BDO return to complete the 2019/20 audit the Council Finance Team will work with BDO to finalise the changes and will make the amendments required to the accounts.

Resources

29. A three-year backlog of open accounts continues to create significant pressures on the Council Finance Team. The revised staff structure proposal to increase the level of support in this area, which was referred to in the last report to the General Purposes Committee, has now been approved and implemented, and recruitment to posts is in progress.

Relevance to Council Plans and Strategies

30. The Council's Plan is delivered through resilient finances. The external audit is a process of testing and challenge, undertaken by an independent and external body against the local government statutory accounting framework, to ensure the annual accounts present a true and fair view of the Council's financial position.

Financial Implications

31. There are no direct financial implications beyond that an unqualified set of Accounts demonstrates that the Council is a 'going concern' and that any audit changes may materially affect the underlying net worth of the entity.

Legal Implications

32. 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.

33. 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.

34. 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.

35. 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.

Equalities Implications

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

HR and Workforce Implications

37. There are no Workforce Implications arising from this report.

Environmental and Climate Change Implications

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

Public Health Implications

39. There are no Public Health implications arising from this report.

Property Implications

40. **There** are no Property Implications arising from this report.

Safeguarding Implications

41. There are no Safeguarding implications arising from this report.

Crime and Disorder Implications

42. There are no crime and disorder implications arising from this report.

Other Implications

43. None.

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