

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: 2019-20 Statement of Accounts and Audit Completion Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Audit and Corporate Governance Committee	DATE: 15 June 2023
<p>SUMMARY OF REPORT: This report presents to the Audit and Corporate Governance Committee the final Audit Completion Report from Mazars on the 2019/20 Statement of Accounts, together with the audited 2019/20 Statement.</p> <p>The report also updates the Committee on the status of subsequent annual accounts and audit.</p> <p>LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION No documents that require listing have been used in the preparation of this report.</p> <p>CONTACT OFFICER: Peter Taylor Financial Reporting Manager 5 Pancras Square London N1C 4AG Telephone: 020 7974 6378 peter.taylor@camden.gov.uk</p>	
<p>RECOMMENDATIONS</p> <p>The Committee is asked to:</p> <ol style="list-style-type: none"> 1) Note the External Auditor's report for the 2019/20 statement of accounts at Appendix A. 2) Approve the amended 2019/20 Statement of Accounts at Appendix B. 3) Authorise the Executive Director Corporate Services, in consultation with the Chair of the Audit and Corporate Governance Committee, to approve any remaining amendments to the Statement of Accounts as the auditors complete the final outstanding matters as listed in Appendix A. 4) Note that officers will report back on any such amendments made at the next Audit and Corporate Governance Committee meeting together with a copy of an amended version of the Statement of Accounts for the Committee's information. 5) Authorise the Chair of Audit and Corporate Governance Committee to sign the 2019/20 Statement of Accounts. 	

6) Note the Letter of Representation as set out in paragraph 5.4 and included in the Audit Completion Reports in Appendix A.

SIGNED: As approved by the Director of Finance

DATE: 2 June 2023

1. Purpose of Report

- 1.1. This report presents to the Committee the revised Audit Completion Report from Mazars for the 2019/20 financial accounts, for both the Council and Pension Fund, and the amended audited Statement of Accounts for the Committee's approval.

2. Background

- 2.1. The audit of the 2019/20 Statement of Accounts has been in progress since the draft Statements were published and presented to Mazars, the external auditors, on the original reporting deadline of 31 May 2020. The 19/20 audit has been the second audit with Mazars under the new Public Sector Audit Appointments (PSAA) contractual arrangements following the abolition of the Audit Commission. The Committee will be well aware of Camden's long standing track record of having unqualified accounts within the statutory timescales. Equally, the Committee will be aware that there have been a number of difficulties with the 2019/20 audit. Some of these have been local issues while others have been caused by significant structural changes within the financial reporting and audit systems.
- 2.2. At the time the statements were being compiled the country was dealing with the outbreak of the Covid-19 pandemic, and the Ministry of Housing, Communities and Local Government (MHCLG) decided to delay the deadline for councils to issue their draft 2019/20 accounts to 31 August 2020. Nonetheless Camden's accounts were prepared and issued to the original timetable.
- 2.3. Mazars started the audit on 1 June 2020, and over the course of the audit have identified a number of errors within the draft accounts and working papers that have required correction. In addition, the categorisation and valuation basis for a number of property valuations were found not to be Code compliant and a significant number were revalued, with the amendments processed within the accounts.
- 2.4. Subsequently, a national issue arose around the carrying value of infrastructure assets, which caused audits across England to be paused for a number of months and required legislative action, as well as revision to the Code of Practice and further amendments to accounts, to overcome the regulatory reporting issues.
- 2.5. The Committee has received numerous updates from officers and from Mazars over the course of the audit on the findings and progress. As the audit was thought close to completion at previous points the Committee received draft Audit Completion Reports from Mazars at its meetings on 17 February 2021, and again on 30 September 2021, and discussed the significant findings and internal control recommendations.
- 2.6. An updated draft Audit Completion Report is now presented to Committee along with the Statement of Accounts containing all amendments required.

3. Outcome of the External Audit

- 3.1. The updated Audit Completion Report from Mazars LLP on the council accounts is appended to this report at **Appendix A**. This has been amended from the draft report presented to Committee in September 2021, although a number of the recommendations and findings have been presented previously and remain unchanged.
- 3.2. Mazars expect to issue an **unqualified opinion** on the financial statements of the Council and the Pension Fund (whose Audit Completion Report remains unchanged). This means that the financial statements present fairly in all material respects, the financial position of the Council. As previously reported, they will include an emphasis of matter with respect to material valuation uncertainty around valuation of properties and certain pension fund investments due lack of comparable market data at the point of valuation due to the pandemic. Mazars have reported that this judgement is commonplace across local authority audits for 2019/20 accounts, but that its inclusion is fundamental to the users' understanding of the accounts.
- 3.3. In the Value for Money findings Mazars have concluded that the Council has **proper arrangements in place to ensure it took properly informed decisions, with the exception of supporting timely and accurate financial reporting at year end**. This stems from the number of corrections required in the 2019/20 accounts and the time taken to produce audited accounts. Officers have acknowledged the 'except for' qualification in this area and have already put plans in place to guard against reporting errors and address the backlog in financial reporting.
- 3.4. In other areas of the VFM audit proper arrangements were found to be in place with regards to sustainable resource deployment, with the Council achieving balanced budgets, delivering on savings proposals and bolstering reserves to achieve a sustainable financial position, and for achieving best value in contracting with third parties and delivering sustainable services.
- 3.5. As previously reported in their Significant Findings, Mazars identified that Property Plant and Equipment (PPE) valuation had not been undertaken in line with CIPFA requirements, and a number of properties were recategorized, notably HRA commercial units from investment properties to other land and buildings, and revalued. The council has reviewed its asset register and valuation processes extensively, including conducting its own internal audit review, and processes have been rewritten to ensure valuations continue on a Code compliant basis going forwards.
- 3.6. Mazars also report a number of other material amendments and cited that the draft accounts originally submitted were of poor quality, and that there had also been significant changes to personnel since the draft was issued and over the course of the audit. The Council has acknowledged the errors in the draft accounts and worked to ensure that subsequent accounts contain sufficient review prior to issue. Resource has also been bolstered in this area to support

the amendments to the 2019/20 accounts and production of the delayed 2020/21 and 2021/22 statements.

- 3.7. The internal control recommendations are as previously reported to Committee in the draft Audit Completion Report first presented on 17 February 2021. The report incorporates Camden's management response to the six Level 1 (high priority) recommendations and one Level 2 (medium priority) recommendation, which have and continue to be acted upon. This work will leave the Council in a better position for subsequent audits.

4. Updates to the 2019/20 Annual Governance Statement

- 4.1. The Annual Governance Statement (AGS) is reviewed by the external auditor alongside the Statement of Accounts and is required to cover the period up to the point at which the Statement of Accounts are authorised. As such, any findings in the external audit process that require noting should be incorporated by way of an updated AGS.
- 4.2. The 2019/20 AGS was presented to and agreed by Committee at its meeting on 24 June 2020. Amendments to the AGS following external audit review are to be presented to Committee to approve under a separate agenda item at this meeting.

5. Statement of Accounts process and next steps

- 5.1. The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each year which meet set requirements, and include the Council's main accounting statements, the Housing Revenue Account (HRA), Collection Fund; and any other statements which the Council is required by statutory provision to keep a separate account for (such as the Pension Fund).
- 5.2. The Accounts and Audit Regulations 2015 require the council to follow a set accounts approval process, as detailed below.
- i) The responsible financial officer (Section 151 officer) certifies that the draft statement of accounts presents a true and fair view of the financial position of the Council and of its income and expenditure. The Executive Director Corporate Services, as the Council's Section 151 officer, certified the draft 2019/20 accounts by the statutory deadline, which was extended from 31 May 2020 to 31 August 2020.
 - ii) Following the review of the external auditor, and any amendments that are required to the statement of accounts as a result, the responsible financial officer recertifies the presentation of the annual accounts before member approval is given.
 - iii) The annual accounts are considered and approved by resolution of members and the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given. As

the audit is going through final review, it is recommended that the Executive Director Corporate Services be authorised to make any final minor adjustments to the accounts needed in consultation with the Chair of the Committee. These will be reported back to the Committee.

- iv) The signed statement of accounts are presented back to the auditor together with the Annual Governance Statement and a signed letter of representation from the Section 151 officer to complete the audit closure.
- v) The accounts are published (which must include publication on the body's website) together with any certificate, opinion, or report issued, given or made by the audit.

5.3. The 2019/20 Statement of Accounts attached at **Appendix B** have been updated to incorporate all amendments required from the audit. The accounts are presented for the Committee's approval, and subsequently for the Chair of the Committee to sign.

5.4. The management representation is a letter issued by Camden to the auditor in writing as part of the audit evidence. A draft of the letter is provided within Appendix A for information. The date of the document must not be later than the date of audit work completion. It declares in writing that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements, to the best of the management's knowledge.

6. Update on status of accounts for subsequent years

2020/21 Audit

6.1. Inevitably, the delay on the 2019/20 audit has had a material impact on the delivery of the production of subsequent year's accounts. Officers have worked closely with the new External Audit partner to develop and agree a clear pathway to both clear the current backlog and meet statutory deadlines from 2023/24.

6.2. While this position is undoubtedly regrettable, it should be stressed that there is no suggestion that the Council lacks financial resilience or sustainability in a way that has been seen in other parts of local government. The Council has a clear medium term financial strategy, is able to consistently put forward robust balanced budgets and has adequate level of reserves. While the financial climate is challenging, the position on our audited accounts should not detract from the wider position on our financial health.

6.3. A small number of amendments to the accounts have been identified so far in the audit, including the changes required due to adjustments put through in 2019/20 (such as for infrastructure). Whilst they are mostly immaterial changes, they nonetheless represent good housekeeping. These changes will be listed out by the auditor in their final report. Officers are providing audit with an updated set of accounts incorporating all the changes for review at the

recommencement of the audit. At this stage it is not thought that there are any significant hurdles to the completion of the 2020/21 audit and we anticipate presenting the final 2020/21 accounts to Committee for approval on 21 September 2023.

2021/22 and subsequent accounts

- 6.4. Now that the 2020/21 audit is substantially concluded and Officers are confident the closing position is final, work is accelerating on the delivery of 2021/22 draft accounts. This will incorporate further interrogation and support of debtor and creditor balances to improve the audit process for 2021/22.
- 6.5. The 2021/22 accounts were due for publication on 31 July 2022, with audited accounts due on 30 November 2022, and the Council has published notification of the delay. There is no penalty placed on authorities for missing these statutory reporting deadlines. Delayed accounts are required to be produced as soon as reasonably practicable thereafter subject to publication of the required notification.
- 6.6. Officers have also been working on the 2022/23 financial year end to arrive at an outturn position from April, although it is now certain that the deadlines for 2022/23 statement of account production and audit will not be met, these will aim to be concluded during the financial year, with accounts production and audit being brought back within statutory reporting timeframes for the 2023/24 accounts. However, any target date risks being subject to change due to unforeseen audit, reporting and regulatory issues.

7. Finance Comments of the Executive Director Corporate Services

- 7.1. This is a report of the Executive Director Corporate Services and his views are incorporated into this report.

8. Legal Comments of the Borough Solicitor

- 8.1. The Borough Solicitor has been consulted and has no comments to add

9. Environmental Implications

- 9.1. There are no environmental implications.

10. Appendices

Appendix A: Audit Completion Report 2019/20

Appendix B: Statement of Accounts 2019/20

REPORT ENDS