

Audit Completion Report **(DRAFT)**

London Borough of Camden— Year ended
31 March 2020

June 2023



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London Borough of Camden
Committee Services Section
Camden Town Hall
Judd Street
London
WC1H 9JE

02 June 2023

Dear Committee Members

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Audit Completion Report – Year ended 31 March 2020

We are presenting this report to Members in accordance with ISA 260 for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions and to provide you with the detailed findings from our work.

The scope of our work, including the identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 19 March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. There have been other emerging issues for the sector too, including accounting for infrastructure assets. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate although we have updated our assessment of the risks and work required to address them. These changes are reflected in this report.

The audit of the accounts for the year ended 31 March 2020 has been a particularly challenging because the draft financial statements submitted for audit were of poor quality. Our audit has taken a considerable period of time to complete. We have reported to Committee on progress on a number of occasions over the period we have been working with your team to address the issues. We set out in more detail in the report the issues that have contributed significantly to the delay in the completion of our work.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 07721 234 043.

Yours faithfully

Karen Murray

Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Although we anticipate issuing an unqualified opinion on the Council's accounts, Members of the Committee should note that the draft accounts presented to us for audit in June 2020 were of very poor quality and significant material errors were identified in the accounts during the course of our audit. Management have presented multiple versions of the accounts to us for audit. The working papers supporting the draft accounts were also of poor quality and needed to be revised or replaced.

In particular, we draw your attention to the fact that management needed to re-engage the Council's valuer to undertake a significant amount of additional work in order to provide reliable valuation information for inclusion in the statements. These balances have been subject to significant change during the audit.

Section 4 of this report sets out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; The adjusted misstatements total £587m to the balance sheet with prior period adjustment of £133m. Amendments to the CIES total £70m with prior period adjustments totalling £84m. The value of unadjusted misstatements is £7.4m.

Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2020. At the time of preparing this report, matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion on the financial statements. We intend to include Emphasis of Matter paragraphs within our auditor's report with respect to the material valuation uncertainty of property valuations and certain investments within Pension Fund valuation disclosed in the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2020.

Our draft auditor's report included in Appendix B states that we intend to issue an "except for" Value for Money conclusion for the 2019/20 financial year. This is because of the weakness in the Council's arrangements for financial reporting.



Whole of Government Accounts (WGA)

We have not yet completed our work on the Council's WGA submission. The Council will need to update and review its submission following the amendments agreed to the financial statements. We will then complete our work in line with the NAO's instructions.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any questions or objections in respect of the 2019/20 statement of accounts.








02


Section 02:


Status of the audit


2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Cashflow statement and supporting notes		There is an unreconciled adjustment in the Council's cashflow statement. Although difference is immaterial, we are awaiting an explanation for it. We will report the amendments to the cashflow statement once we have finalised our work in this area.
Review and closure procedures		Completion of audit closure procedures, including: <ul style="list-style-type: none">Final audit file reviewReview of the final updated version of the financial statements.
Annual Governance Statement and Narrative Report		The Annual Governance Statement should reflect matters and events up to the date the financial statements are authorised for issue. We will discuss the updated version with officers closer to the date of authorisation. We will complete our review of the narrative report to ensure the consistency of any financial information disclosed with the final amended statements in due course.
Signed final statements, Annual Governance Statement and signed Management Representation Letter		When we receive the signed version of the accounts and letter of representation, we will complete a final review of the financial statements to confirm they are consistent with our expectation based on our work during the course of the audit.
Whole of Government Accounts (WGA)		Our work on the WGA return will follow the conclusion of the audit.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to Audit Committee in March 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

However, we remind members that during 2020 and 2021, the Covid 19 pandemic fundamentally changed the way in which both your Financial Reporting Team, and our audit team, could work. Due to the restrictions imposed across the United Kingdom, both teams had to work remotely for significant periods of time.

Materiality

Our provisional materiality at the planning stage of the audit was set at £19.6m using a benchmark of 1.5% of gross operating expenditure.

Our final assessment of materiality, based on the draft financial statements, is £17.7m using the same benchmark.

We set our trivial threshold at £530k based on 3% of final materiality.. Individual errors below this level will not be reported to the Audit and Governance Committee.

Use of experts

We set out in our Audit Strategy Memorandum our planned use of experts to assist in our audit procedures. There were no changes to our planned approach.

Item of account	Management's expert	Our expert
Defined benefit pension liability valuation and disclosures	Hymans Robertson Barnet Waddingham	PwC – Consulting actuary appointed by the National Audit Office.
Property valuations: operational land & buildings owned by the Council and investment properties	Lambert Smith Hampton	We engaged our own valuer to review the Council's approach to valuations and some of the complex property valuations
Financial Instrument disclosures	Link Asset Services	No expert required



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 17 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk
	<p>In all entities, management at various levels within an organisation are 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. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• Accounting estimates impacting on amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>There are no matters to bring to the Committee’s attention in respect of our work on management override of controls.</p>



4. Significant findings

Revenue recognition	<div data-bbox="537 204 810 229">Description of the risk</div> <div data-bbox="537 254 2415 489"><p>Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.</p><p>Based on our initial knowledge and planning discussions we concluded we could rebut the presumption of a revenue recognition risk for the majority of the Council's revenue income. In particular we rebutted the revenue recognition risk for income derived from Council Tax, Grants and NNDR due to the low inherent risk associated with these amounts.</p><p>We did not rebut the income risk relating to other material income streams within the Council, such as adult social care costs and charges for use of Council facilities, where the level of inherent risk is higher.</p></div> <div data-bbox="537 539 868 565">How we addressed this risk</div> <div data-bbox="537 582 2415 775"><p>We addressed this risk by obtaining a detailed understanding of the Council's processes to ensure that revenue and expenditure are materially recognised in the correct accounting year, and we performed the following work:</p><ul style="list-style-type: none">• detailed testing of transactions within the 2019/20 financial statements to confirm they were accounted for in the correct year;• testing from payments and receipts around the year-end to provide assurance that there were no material unrecorded items of income and expenditure in the 2019/20 accounts</div> <div data-bbox="537 818 749 843">Audit conclusion</div> <div data-bbox="537 865 2415 1015"><p>There are no significant findings arising from our review of revenue recognition.</p><p>However, material changes were made to the financial statements to remove internal recharges from the comprehensive income and expenditure statement. A corresponding amendment was required to the prior year comparators. These amendments were required because the finance team did not prepare the draft financial statements in line with the requirements of the CIPFA Code.</p></div>
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4. Significant findings

Valuation of property, plant and equipment and investment properties

Description of the risk

Where a Council's assets are subject to revaluation, the Code requires that the year end carrying value should reflect the appropriate fair value as at that date. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five year cycle, which may result in individual assets not being revalued for four years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end fair value.

In respect of Council Dwellings, these are reviewed using a beacon valuation methodology, which values Council stock by grouping assets into type and using a nominated beacon asset for each group. The assessed value is uplifted based on an open market assessment then amended for an adjustment factor provided by MHCLG.

The Council's investment properties are valued at fair value.

Due to the high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.

Updates to the risk

1. Covid 19

The Covid-19 pandemic has had an impact on all markets with initial significant impact on valuations. In March 2020, RICS issued a valuation practice alert in response to the Coronavirus global pandemic, setting out guidance in light of the potential impact, noting there will be a greater level of uncertainty over valuations as a result of a lack of comparable market or cost data.

This lack of relevant recent market or cost data upon which to base a valuation, combined with limited ability to physically inspect properties, has given rise to a potential for material valuation uncertainty disclosures within valuers' reports. It is noted that, even where data is available, the current market circumstances may make that data less reliable than has previously been the case.

The alert has reminded valuers of the potential need to disclose that material uncertainty exists over the valuations as part of their reports. It is clear in the alert that such a disclosure is not a disclaimer and that valuers can still provide valuations where material uncertainty exists. The Council's valuer applied a material valuation uncertainty paragraph to the valuations performed as at 31 March 2020.

2. Infrastructure

During 2022, a sector-wide issue in respect of local authority accounting for infrastructure assets emerged. This related to the way in which accounting for the derecognition of infrastructure assets was accounting for. In January 2022, CIPFA and the Department of Levelling Up, Housing and Communities (DLUHC) published an update to the Code as well as amendment to the Capital Finance and Accounting Regulations. The Council has subsequently amended the financial statements to accounts for the changes made to the Code and Accounting regulations. The amendments have been subject to review by audit, with the relevant assurance gained. See section 03 of the report for further details on accounting for infrastructure.



4. Significant findings

Valuation of property, plant and equipment and investment properties

How we addressed this risk

We addressed this risk by reviewing the approach adopted by the Council to assess the risk that assets not subject to valuation at year end were not materially misstated, and considered the robustness of that approach.

We also assessed the risk of the valuation changing materially in year, and considered the movement in market indices between revaluation dates and the year end, in order to determine whether these indicate that fair values have moved materially.

In addition, for those assets which have been revalued during the year we:

- assessed the valuer’s qualifications;
- assessed the valuer’s objectivity and independence;
- reviewed the methodology used; and
- performed testing of the associated underlying data and assumptions.

In response to the additional issues arising from the pandemic we have completed additional procedures around the valuation of items at the end of the year, including review of the responses to the updated RICS guidance and available data to support valuation movements arising on assets in the period.

- obtain and document an understanding of the market/cost data used by the valuer in forming the valuations
- obtain and document an understanding of the arrangements that the Council has put in place to assure itself that the valuation is materially accurate, which may involve arrangements put in place after the year end to update valuations to use actual cost/market data as opposed to estimated data
- challenge the market/cost data used, by comparing against other relevant data.

In response to the national issue in respect of infrastructure asset accounting, we have reviewed the Council’s application of the statutory override issued by Government with an effective date of 25 December 2022.

Audit conclusion

The Council’s approach of the valuation of its Property, Plant and Equipment, including it’s investment properties, was not undertaken in line with the requirements of the CIPFA Code.

Following our initial discussions with the Council about the basis of the valuation of assets in the year, the Council identified a need for further valuation advice from, and for significant additional valuation work to be carried out by, its valuer. As a result of this additional work, the value of property plant and equipment, including council dwellings and also investment properties, included in the draft accounts were subject to material amendment. The classification of assets between categories was also subject to significant material amendment.



4. Significant findings

Valuation of property, plant and equipment and investment properties	Audit conclusion (continued)
	<u>Covid 19</u> The Council's external valuer included a material valuation uncertainty paragraph within their valuation report for the year. The Council updated the accounts to include a disclosure in respect of this material valuation uncertainty in Note [4] to the financial statements. In our view, this matter is fundamental to the users' understanding of the financial statements and as such we intend to include an 'Emphasis of Matter' paragraph in respect of this disclosure within our auditors report.
	<u>Infrastructure</u> In response to the national issue in respect of infrastructure asset accounting, the Council determined it needed to apply the provisions of the statutory override. In doing so, the Council amended the financial statements to reflect an impact of the changes to the Code and accounting regulations of £62m and presented this for audit. We reviewed the Council's application of the statutory override and found the revised financial statements did not properly apply the provisions. The Council reviewed its approach in the light of our comments and subsequently determined that it's proposed adjustment of £62m was not in line with the provisions of the changes in the regulations and removed this change. Following further work, the Council identified a non-material impact on the infrastructure balance. Further details are included in Section 6 of this report.

4. Significant findings

Defined benefit liability valuation	<div data-bbox="547 172 2446 606"><p data-bbox="547 172 2446 208">Description of the risk</p><p data-bbox="547 251 2446 308">The Council’s accounts contain material liabilities relating to the local government pension scheme administered by the London Borough of Camden Pension Fund (LBCPF) and the London Pension Fund Authority (LPFA).</p><p data-bbox="547 337 2446 394">The Council relies upon its actuaries, Hymans Robertson and Barnet Waddingham to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p><p data-bbox="547 408 2446 436"><u>Updated risk in respect of Covid 19</u></p><p data-bbox="547 451 2446 558">A material valuation uncertainty paragraph has been included in the valuation report for the investment properties in the pension funds. The Council has now included a disclosure of the material valuation uncertainty in note [4] to the financial statements. In our view, this matter is fundamental to the users’ understanding of the financial statements and as such we intend to include an ‘Emphasis of Matter’ paragraph in respect of this disclosure within our auditors report set out in Appendix B.</p></div> <div data-bbox="547 606 2446 915"><p data-bbox="547 606 2446 642">How we addressed this risk</p><p data-bbox="547 656 2446 728">We addressed this risk by reviewing the controls the Council had in place over the information sent to the Scheme Actuaries by the fund administrators, LBCPF and LPFA.). We also:</p><ul data-bbox="547 742 2446 871" style="list-style-type: none">• assessed the skill, competence and experience of the actuary for each Fund;• challenged the reasonableness of the assumptions used by the actuaries as part of the annual IAS 19 valuation;• carried out a range of substantive procedures on relevant information and cash flows used by the actuaries as part of the annual IAS 19 valuation.</div> <div data-bbox="547 915 2446 1129"><p data-bbox="547 915 2446 951">Audit conclusion</p><p data-bbox="547 965 2446 1036">We have reviewed the confirmation provided by the auditor of the LPFA and note they have drawn attention to issues within the valuation of certain of the Pension Fund assets. Material valuation uncertainty paragraphs have been included within some valuation reports. A similar matter was confirmed by the auditor of the CPF.</p><p data-bbox="547 1051 2446 1129">The Council will need to include disclosures in respect of these material valuation uncertainties in the financial statements. In our view, these matters are fundamental to the users’ understanding of the financial statements and as such we intend to include an ‘Emphasis of Matter’ paragraph within our auditors report set out in Appendix B.</p></div>
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4. Significant findings

Qualitative aspects of the Council's accounting practice

We have reviewed the Council's accounting policies and disclosures as part of our audit. The draft financial statements presented for audit in June 2020 did not comply with the 2019/20 Code of Practice on Local Authority Accounting (the Code) in a number of significant respects. As a result, the accounts have been subject to a significant number of material amendments.

Based on our review, the Council's accounting policies, as set out in the statements presented for audit, were considered to be broadly consistent with the Code. However, the Council policies had not always been applied properly in practice, particularly with regards to accounting for both operational and investment Property, Plant & Equipment assets. This contributed to the scale of amendments required to the draft statements.

The detail of the amendments made to the accounts are set out in Section 8 of this report.

Significant difficulties during the audit

During the course of our audit we encountered a significant number of difficulties in completing our work. This was because the draft accounts, submitted for audit in June 2020, were of very poor quality. The working papers supporting the financial statements were made available to us during the course of the audit but a number of them were not fit for purpose and needed to be re-drafted by the Council's Financial Reporting Team. This included the working papers in respect of key aspects of the Council's financial statements. Often, more than one re-draft was required.

In particular, we draw your attention to the Council's inadequate approach to the valuation of, and accounting for, its property, plant and equipment, including investment properties. It is clear, given the scale of the errors in the financial statements, the Financial Reporting Team did not understand the requirements of the CIPFA code with respect to asset valuations. As a result, the Council's external valuation expert was not engaged to provide the required information. Additionally, the Council's supporting records, including those related to the classification of assets, were not fit for purpose. A considerable amount of work has been required by the Financial Reporting Team, the Council's external valuer and then us, to address the weaknesses in the Council's asset register, accounting and financial reporting.

In addition to the challenges of accounting for property, plant and equipment, a number of other errors, many of which were material, were identified because the Financial Reporting Team were not sufficiently aware of, and able to comply with, the requirements of the CIPFA code. This lack of understanding was exacerbated by the poor quality of some supporting records and system reports arising from the failure to properly reconcile and clear ledger codes on a timely basis, particularly in respect of legacy balances. Added to this, the Financial Reporting Team have found it difficult to run some system generated reports such as those to support the year

end accounts receivables and payables

During the course of the audit, we had cooperation from the Council and its Financial Reporting Team. However, there have been some significant changes to the personnel over the period of our audit, including a new Director of Finance. The changes also included bringing in an interim financial accountant to provide capacity and support to the team, in responding to the issues we were identifying during the course of the audit and to identify improvements to the Council's accounting and closedown processes for the future.

Over the course of the audit, the Financial Reporting Team, with the support of the interim accountant, have produced multiple versions of the statement of accounts. These versions have often been materially different from the previous versions, reflecting the scale of the errors identified, and the non-compliance of the original draft accounts, with the requirements of the CIPFA code. The updated versions were presented back to us without being subject to formal quality review because the team was focussed on trying to ensure a quick close to the audit rather than ensuring the Council had a materially correct set of financial statements.

The interim support remains in place to help the Council's team in addressing some of the underlying issues with financial reporting to support the closedown of the accounts for 31 March 2021 and 2022. However, there is more work to do to ensure the Financial Reporting Team has the capability and capacity to properly understand the:

- requirements of the CIPFA code, particularly in respect of capital accounting,
- underlying principles of IFRS based financial reporting;
- application of statutory overrides in local government;
- availability of reports from the accounting systems; and
- importance of reconciliations as key controls in the system.

Without this, there remains a risk the Financial Reporting Team will not be able to make the step change necessary to prepare materially correct accounts for future years.

We have also commented on the weaknesses in the Council's arrangements for financial reporting in respect of our Value for Money conclusion in Section 7 .

4. Significant findings

Significant matters discussed with management

During the audit we maintained a regular dialogue with Council officers. Among the matters discussed through these conversations were:

- **The requirements of the CIPFA Code with regards to property plant and equipment assets and investment properties** – including the underlying basis of valuation for assets of different types, the classification of assets between the types including those within the Council's HRA, the timing of valuations and the work required in respect of those operational assets not revalued in the year.
- **Infrastructure asset accounting** – the Council has chosen to apply the provisions of a statutory override that became effective on 25 December 2022 but which relates to all financial statements where an audit report has not been issued. The Council's initial work to apply the statutory override did not comply with the provisions.
- **The impact of COVID-19 on the Council** - including the potential impact on risks of material misstatement to the valuation of Property, Plant & Equipment, including investment properties, the assessed provision for expected credit losses, pensions and the potential overall impact on the Council's financial position.
- **Going Concern** – we have reviewed managements' assessment of the Council as a going concern and have reviewed treasury management forecasts and Cabinet finance papers to support the going concern assessment. We have considered this in the light of the financial challenges presented by the COVID-19 pandemic. We agree with management's view that the financial statements should be prepared on a going concern basis.
- **Internal Controls** – During the course of our audit we have identified number of weaknesses with regards to the Council's internal controls. These are set out in Section 5 of this report in more detail.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any questions or objections to the 2019/20 financial statements.



05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	6
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations

Financial statements and supporting working papers – Level 1

Description of deficiency

The draft financial statements presented for audit contained a significant number of fundamental misstatements and presentational errors. In addition, the supporting working papers did not reconcile to the financial statements in a number of areas. In our view, the Council’s Financial Reporting Team did not have the capacity and capability to properly understand the requirements of the CIPFA Code of Practice for Local Authority Accounting (the Code) and the underlying IFRS based financial reporting framework.

Potential effects

The draft financial statements did not accurately reflect the Council’s financial position and were not fully compliant with the Code. The audit process was more time consuming because of the high number of complex issues that need resolving during the course of our work. The extent of this, together with the national issue in respect of infrastructure asset accounting, led to a considerable delay in the signing of audit report.

Recommendation

The Council should review the skills and capacity of its Financial Reporting Team alongside it’s closedown process to ensure it is sufficient to prepare a materially correct set of draft accounts. This should include a detailed management review of the draft financial statements and supporting working papers before these are presented for audit and published on the Council’s website for public inspection.

Management response

We accept there were errors in the statements presented for audit. The closedown and production of draft accounts were concluded by 31 May despite the impact of COVID on working arrangements, and despite vacancies in the core team.

Additional resource has been brought in to support the production of draft accounts for 2020/21, and the Council has improved quality of working papers, reconciling all working papers to the ledger system.

The publication of draft accounts for 2020/21 was delayed as a result of the ongoing audit of 2019/20 and remediating actions. The 2020/21 accounts were published on 30 September 2022, after incorporating an internal review process to improve quality and ensure consistency across the statement and supporting notes, as per the recommendation.

The draft accounts for 2021/22 and following years will incorporate the same quality review before publication and presentation to audit. The Council is working through the backlog of financial reporting and audits to target compliance with reporting deadlines for the 2023/24 accounts.



5. Internal control recommendations

Bank reconciliations and cash held on behalf of third parties – Level 1

Description of deficiency

Our testing of the bank reconciliations identified the Council was unable to fully reconcile its cash position.

In addition, the Council holds substantial levels of cash on behalf of third parties, in particular, North London Waste Authority (NLWA). The underlying records allocating the amounts held on behalf of third parties were not sufficiently clear to ensure the financial accounts correctly reflected the underlying position.

Furthermore, we identified the Council uses two sub-nominal codes in relation to the Cash Control Account for card payments. Processing transactions through two sub-nominal codes generates significant balances within the general ledger which need to be manually netted off in order to reflect the correct cash position.

Potential effects

There is a risk the draft accounts do not accurately record the Council’s cash position.

Recommendation

The Council should ensure all bank accounts are properly and fully reconciled. All unreconciled balances should be appropriately explained and cleared.

The records supporting the cash held on behalf of third parties should be improved.

The Council should review the current practice of using two sub-nominal accounts to ensure significant balances are not accruing on both.

Management response

The Council manages and invests the working balances of the NLWA and these were included in the overall cash and short term investment balances in the draft accounts. We have discussed with Mazars that this was not the correct presentation and this has been corrected in the revised Statement presented.

The recording of cash and investment balances held on behalf of NLWA has been reviewed and clarified by both Camden and NLWA during the audit of 2020/21 accounts.

The Council has reviewed and improved its bank reconciliation processes following control recommendation from external audit and an internal audit Key Financial System review of the banking processes, moving from monthly to daily bank reconciliations to support instant investigation and resolution of any unreconciled balances. There are no unidentified unreconciled items at the time of writing.

The Council has reviewed the system configuration for recording two separate sub-nominals in the control account for card payments, and amended to incorporate the control on a single sub-nominal to prevent opposing debit and credit balances from accruing.



5. Internal control recommendations

Payroll cost monitoring and reconciliations– Level 1

Description of deficiency

Our testing of payroll transactions identified the controls expected to be in place were not operating as intended throughout the year. This included the reconciliation between the payroll system and the general ledger which had not been undertaken for each of the 12 months. As a result, reconciling items were not being appropriately identified and cleared.

Potential effects

In the absence of effective and regular reconciliations between the payroll system and the general ledger, there is a risk of error in the Council's accounts. This could also impact on budget monitoring and control. There is also a risk of undetected payroll fraud.

Recommendation

The Council should ensure there is a full monthly reconciliation of payroll to the general ledger. Reconciling items should be followed up and cleared promptly. The reconciliation should be reviewed and signed off as such by a senior member of the finance team .

The Council should ensure there is a regular review of payroll costs against the budget and should follow up on any unexpected variances.

Management response

Detailed payroll monitoring is done by budget holders as part of the council's budget monitoring processes, ensuring a regular review of payroll costs against budget, and investigation of unexpected variances.

During 2019/20 the council undertook pay run reconciliation between payroll and GL every month, conducted at a summary level between payroll system, GL and cash.

Since producing 2019/20 accounts, in January 2021 the Council moved to using the Oracle Fusion payroll system. Reconciliations between payroll costing and payment files are done on an individual employee basis, and system functionality allows instant reporting of any GL posting failures, which are reviewed and corrected in month.



5. Internal control recommendations

Accounts payable balance – Level 1

Description of deficiency

Our testing of accounts payable identified there were no procedures in place for producing creditors listing at month end/ year end at transaction level. In addition, the Council did not update creditors listing promptly after paying creditors. As a result, the information initially provided to support the year end balance was incorrect.

The Council's reconciliation processes require a high number of manual adjustments, including several debtor and creditor codes that needed to be netted off in order to reflect the correct balance on both sides.

There are a number of balances included in the ledger relating to legacy systems that need to be properly investigated and cleared so that redundant codes can be closed.

Potential effects

The absence of standard operating procedures such as producing month end/ year listing for review and the updating of creditor account balances as they are paid increases the risk of error in the reporting of the accounts payable balance.

The need for significant netting off of debtor and creditor balances and the failure to clear legacy balances out of the ledger increases the risk of inaccurate reporting of accounts payable balance.

There is a further risk that the Council may over-pay some of the suppliers and under-pay others

Recommendation

- The Council should ensure there is:
- a comprehensive review of the procedures for reviewing and reporting month end and year end balances;
 - a full review of the ledger codes available for use so that redundant codes are closed;
 - a change to procedures so that debtor and creditor balances are properly cleared rather than netted off; and
 - a review of all old (legacy) balances so that these are paid or written off as appropriate

See over



5. Internal control recommendations

Accounts payable balance – Level 1

Management response

The council has identified reporting functionality for Payables within Oracle to support creditor balances, relating to goods and services received and supplier invoices due for payment.

There are a number of creditor balances for year end manual accrual processing for creditors or receipts in advance, for which there will be no corresponding balances report, and which will require audit through sampling of year end transactions. Other creditors are the result of legitimate balances on control accounts.

A review of debtor and creditor balances has taken place as part of the 2020/21 audit of accounts, resulting in a number of legacy debtor and creditor balances being cleared in the financial ledger rather than netted off in the working papers.

Further work to review and assign responsibilities for balance sheet monitoring is taking place to ensure month end and year end balances are accurate and supportable.



5. Internal control recommendations

Accounts receivable balance – Level 1

Description of deficiency

Our testing of accounts receivable identified that there were no procedures for producing debtors listing at month end/ year end at transaction level including aged debtors listing.

We observed a lack of control over the reconciliation of the accounts receivable figure reported within the financial statements and the general ledger. A balance of £139m was reported within the financial statements whereas the general ledger balance totalled £152m. Audit testing identified further errors in the reported position so the balance of £139m was amended to £158m.

As with accounts payable, the Council needs to make a significant number of manual adjustments in respect of several debtor and creditor codes that need to be offset (net to zero).

Potential effects

In the absence of appropriate procedures such as producing month end/ year listing for review and producing and reviewing regular aged debtors listings, there is a risk of error in the Council's financial accounts.

The current practice of netting off of debtors/ creditors balances increases the risk of inaccurate reporting of the Council's debtors balance.

Furthermore, the current operational arrangements could lead to delays in recovering debts or an increase in irrecoverable debt which ultimately reduces the Council's available resources

Recommendation

The Council should ensure there are proper procedures in place to ensure month end and year end balances are properly reviewed and reconciled. This should include regular review of the aged debtors.

Management response

The Council reports aged debtors from its debtor system, and reconciles debtor system balances to the general ledger on a daily basis.

There are a number of balances for year end manual accrual processing for debtors or payments in advance (prepayments), for which there will be no corresponding balances report, and which will require audit through sampling of year end transactions.

A review of debtor and creditor balances has taken place as part of the 2020/21 audit of accounts, resulting in a number of legacy debtor and creditor balances being cleared in the financial ledger rather than netted off in the working papers.

Further work to review and assign responsibilities for balance sheet monitoring is taking place to ensure month end and year end balances are accurate and supportable.



5. Internal control recommendations

Property, plant and equipment/ Investment properties/ Assets held for sale – Level 1

Description of deficiency

Our audit work identified a number of fundamental weaknesses in the Council's approach to the valuation of it's property, plant and equipment , including council dwellings, investment properties and assets held for sale. These included a:

- lack of understanding of the requirements of the CIPFA code and MHCLG guidance on the valuation of HRA stock;
- lack of clear instruction to the valuer to ensure valuations were compliant with the CIPFA Code and MHCLG guidance;
- lack of review and/ or challenge of valuations presented by the valuer, especially in relation to HRA and investment properties;
- lack of review and updating of the valuations of assets held for sale; and
- number of deficiencies in the approach to the maintenance of the asset manager data such that assets were incorrectly categorised between investment properties and HRA. .

Potential effects

There valuation of the property plant and equipment, including council dwellings, investment properties and assets held for sale reported in the Council's financial statements may be materially misstated.

The disclosures may not be complaint with proper accounting practice as set out in the Code and other guidance.

Recommendation

The Council should fundamentally review it's approach to accounting for its asset portfolio. This includes the arrangements for obtaining valuations and the associated capital accounting to ensure compliance with the relevent accounting practice. There is also a need to ensure the Financial Reporting Team has the relevant skills, knowledge and experience of capital accounting.

Management response

The Council has reviewed and reassessed classification of its HRA Commercial properties, and recommissioned professional valuers to confirm building plans in place and provide valuations for all properties over the valuation cycle to ensure compliance with the Code of Practice.

In addition, an internal audit review has been carried out on asset valuation processes, implementing recommendations across the 2020/21 and 2021/22 asset valuations, including detailed procedure notes for completion of capital accounting entries and ensuring check/challenge of Valuers reports.



5. Internal control recommendations

Other recommendation on internal control– Level 2

Description of deficiency

We have observed number of other internal control issues with regards to following areas;

- lack of clarity about roles and responsibilities between Controls Team and Financial Reporting Team.
- lack of controls over completeness of provisions, contingencies and legal claims because of communication issues between the legal and Financial Reporting Team.
- an overall lack of knowledge and experience in the Financial Reporting Team, including vacancies in some key posts.

Potential effects

There is risk the quality of the financial statements prepared will continue to be of a poor quality. This will lead to continued delays in completing the audit and significant additional audit costs.

Recommendation

The Council should review it’s arrangements for preparing it’s financial statements to ensure there is clarity of roles and responsibilities. This should involve regular liaison with services to ensure they are clear about the contribution to the closedown processes. The Council should ensure there is an appropriate level and quality of staff in place to support the finance function.

Management response

The finance team has a detailed timetable for managing the close down process and producing the financial statements, with responsible officers or teams identified. This is reviewed on an annual basis and communicated to all members involved.

Additional resource has been brought in to support the production of draft accounts for 2020/21, establishing good practice and ensuring financial statements and supporting documentation are of an appropriate standard.



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £0.53m.

Management has assessed this error as not material to the financial statements and does intend to amend for the error.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1.	Dr: Property, Plant and Equipment			£7,405	
	Cr: CIES – Revaluation gain.		£7,405		
<i>Being the impact of an extrapolation from an actual error of £1.477m because the Council's valuation expert had used incorrect floor areas in calculating the value of some HRA assets.</i>					
Total unadjusted misstatements		-	£7,405	£7,405	-

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6. Summary of misstatements

The table outlines the misstatements that have been adjusted by management during the course of the audit.

Adjusted misstatements		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cash and cash equivalent			£46,471	
	Cr: Short term investment				£46,471
<i>The adjustment reclassifies balances between short-term investments and cash / cash equivalents to ensure compliance with the CIPFA Code. The supporting note to the balance sheet has also been amended.</i>					
2	Dr: Creditors			£7,557	
	Cr: Debtors				£7,557
<i>This corrects errors made in the debtors and creditors working papers when preparing the draft financial statements.</i>					
3	Dr: Creditors			£7,964	
	Cr: Debtors				£7,964
<i>This error relates to a property sold to Camden Living (Subsidiary) for £7.9m but incorrectly recorded in the creditors balance.</i>					
4.	Dr: Debtors			£18,730	
	Cr: Creditors				£18,730
<i>This reclassifies NNDR debtors which had been incorrectly netted off to the creditors balance.</i>					

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Adjusted misstatements (continue.....)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5.	Dr: Short term investment			£5,897	
	Dr: Cash and cash equivalent			£3,864	
	Dr: Short term borrowings			£9,825	
	Cr: Long term borrowings				£19,586
<i>This corrects errors in the accounting treatment of money held on behalf of NLWA. It also corrects errors in the classification between long term and short term borrowing within the draft financial statements</i>					
6.	Dr: Property plant and Equipment			£23,333	
	Cr: Assets Held for Sale				£21,610
	Cr: Investment Properties				£1,723
<i>These correct errors in the Council's accounting treatment of its assets held for sale. A further amendment of £1,723k corrects an error in the reconciliation between the Council's PPE asset manager system and the general ledger.</i>					
7.	Dr: Property plant and equipment			£6,300	
	Cr: Investment properties				£6,300
<i>This adjustment corrects an error in the classification between investment properties and assets under construction.</i>					

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Adjusted misstatements (continue.....)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
8.	Dr: Comprehensive income and expenditure statement	£1,863			
	Cr: Major repair reserve				£1,863
	Dr: Capital adjustment accounts			£1,863	
	Cr: Property, plant and equipment (PPE)				£1,863
<i>This amends the depreciation charge on the HRA properties which were misclassified as investment properties.</i>					
9.	Dr: Comprehensive income and expenditure statement	£5,682			
	Cr: Movement in Reserve Statement				£5,682
	Dr: Property, plant and equipment (PPE)			£2,059	
	Cr: Investment properties				£283
	Dr: Capital adjustment account			£5,682	
	Cr: Revaluation reserve				£7,258
<i>This corrects the accounting entries for HRA properties reclassified as Property Plant and Equipment in 2019/20 excluding the depreciation charge impact reported above.</i>					

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Adjusted misstatements (continue.....)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
10.	Dr: Comprehensive income and expenditure statement		£70,180		
	Cr: Movement in reserve			£70,180	
	Dr: Property, plant and equipment (PPE)			£119,854	
	Cr: Investment assets				£9,841
	Cr: Revaluation				£39,833
	Dr: Capital adjustment account				£70,180
<i>The Council originally revalued Council Dwellings downwards at the 21 March 2020 on the advice of its Valuer. However, the assumptions used by the Valuers were not appropriate. Following audit challenge, the Valuer revised the valuation report and the financial statements were revised to reflect the amended valuation information</i>					
11.	Dr: Comprehensive income and expenditure statement	£6,049			
	Cr: Movement in reserve				£6,049
	Dr: Capital adjustment account			£6,049	
	Cr: Property, plant and equipment (PPE)				£6,049
<i>This amendment is in respect of depreciation on the Infrastructure Assets in the year following the application of the provisions of the statutory override.</i>					

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Adjusted misstatements (continue.....)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
12.	Dr: Comprehensive income and expenditure statement	£10,000			
	Cr: Property, plant and equipment (PPE)				£10,000
	Dr: Capital adjustment account			£2,700	
	Cr: Movement in reserve				£10,000
	Dr: Revaluation Reserve			£7,300	
	<i>This adjustment corrects an error in relation to an asset which had been demolished but was not written out from the Council's ledger.</i>				
13.	Dr: Property, plant and equipment (PPE)			£145,594	
	Dr: Movement in reserve			£88,986	
	Dr: Investment properties			£13,645	
	Cr: Comprehensive income and expenditure statement				£88,986
	Cr: Capital adjustment account				£88,986
	Cr: Revaluation reserve				£70,253
	<i>The Council instructed its valuer to provide an updated revaluation of PPE. This work, completed in June 2021 was necessary to bring the valuations into line with the requirements of the CIPFA code. These reflect the adjustments to the revised valuation from that originally reflected in the financial statements.</i>				
Total adjusted misstatements		£23,594	£70,180	£586,553	£549,767

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Adjusted misstatements 2018/19 (Prior Period Adjustment)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1.	Dr: CIES (Cost of Services- Income)	£82,359			
	Cr: CIES (Cost of Services- Expenditure		£82,359		
<i>The CIPFA Code requires the Council to net off internal recharges so they are not double counted in income and expenditure. Although this adjustment had been made to the draft 2019/20 statements, the adjustment had not been made in the prior year. This amendment ensures consistency between the current and prior year.</i>					
2.	Dr: Property, plant and equipment			£132,972	
	Cr: Investment property				£132,978
This adjustment is needed to reclassify some assets tthat should have been treated as HRA assets but which were incorrectly classified as investment properties. .					
3.	Dr: Depreciation	£1,802			
	Cr: Property Plant and equipment				£1,802
This amends the depreciation charges in the HRA assets wrongly treated as PPE from 2018/19 .					
Total adjusted misstatements		£84,161	£82,359	£132,972	£134,780

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Disclosure amendments

During our audit, a significant number of changes have been made to the financial statements to improve clarity and internal consistency of the accounts and to ensure proper compliance with the requirements of the CIPFA code.

The most significant of these changes include:

- **Accounting policies** – A number of revisions to ensure the accounts reflect the requirements of the Code for example with regard to the accounting policies applied to revenue. These changes were required because the Financial Reporting Team had not properly considered the appropriateness of the accounting policies to be applied by the Council.
- **Property, Plant and Equipment** – significant revisions were required to the information disclosure in the notes to the financial statements to reflect the detailed impact of the amendments arising from errors in the classification and valuation of assets and the associated capital accounting. These errors arose from a lack of understanding of the CIPFA Code’s requirements.
- **Movement in Reserves Statement (MiRS)** – the MiRS has been substantially amended to reflect the changes and inconsistencies within the notes to the financial statements and to reflect changes in capital accounting.
- **Cash Flow Statement-** to remove inconsistencies between cash flow statement and the related notes within the financial statements. There is more work to do to ensure the cashflow statement is correctly stated
- **Financial Instruments-** There were internal inconsistencies between the balance sheet and the associated financial instruments disclosure note. This included an error in the way a prior year figure was brought forward in one line of this note.
- **Cash and cash equivalent-** The detailed note for cash and cash equivalents did not cast correctly.
- **Short-term debtors-** The note was amended to address inconsistencies between the value disclosed on the face of the balance sheet and the values in the supporting note.
- **Defined Benefit Pension Schemes-** There were inconsistencies within the detailed note with regards to re-measurement of the defined pension liability due to different assumptions.
- **External Audit Remuneration-** The disclosure relating to the external audit fee was not correct
- **General** – a number of relatively minor changes were made to address typographical and other errors.



07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that:

‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

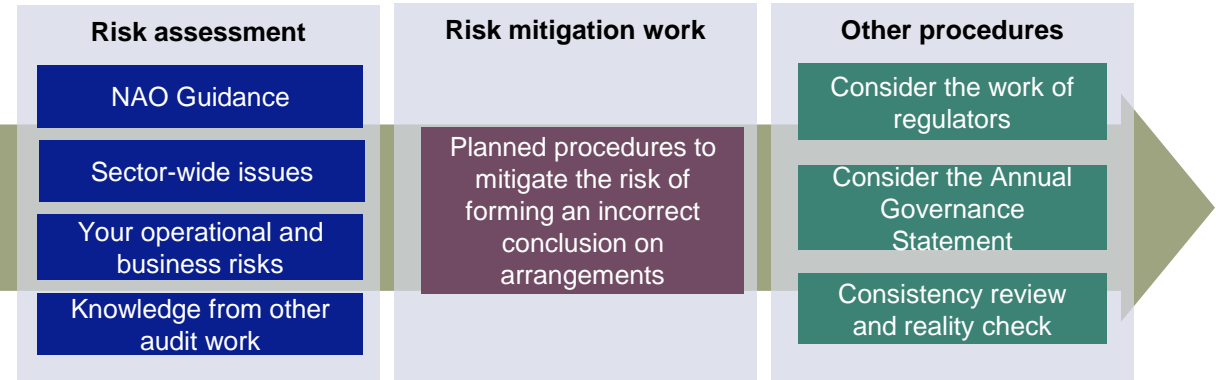
Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified a risk of significant weakness relating to financial sustainability.

Since issuing our Audit Strategy Memorandum the COVID-19 pandemic has impacted significantly on the Council operationally and financially. We have considered the impact of COVID-19 on the significant risk for our Value for Money conclusion. In doing this we have considered the Council’s arrangements in place up to the 31 March 2020, and we are satisfied that there are no new significant risks to our Value for Money conclusion for 2019/20 arising from COVID-19

During the course of our work we were satisfied that the Council had appropriate arrangements in place to mitigate the risks identified at planning stage. The work we carried out in relation to the significant risks are outlined on the following pages.



7. Value for Money

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>We reviewed the arrangements the Council had in place throughout 2019/20 for ensuring financial resilience. Specifically we reviewed whether the medium term financial plan took into consideration factors such as funding reductions, salary and general inflation together with continued demand pressures.</p> <p>We also reviewed the arrangements in place to monitor progress delivering the budget and related savings plans. In addition to this we considered the Council's arrangements in place in 2019/20 in the context of the emerging impact of the COVID-19 pandemic.</p> <p>Findings</p> <p>The Council set a balanced budget for both 2019/20 and 2020/21.</p> <p>The budget for 2019/20 was based on the refreshed Medium Term Financial Strategy and was set reflecting reasonable assumptions about the delivery of savings in the previous year, inflation pressures (both pay and non-pay), known pressures in respect of demand-led services and the financial impact of changes to services.</p> <p>The budget, whilst balanced, required the Council to finalise and then delivered a savings programme in order to achieve the planned position. Over the course of the 2019/20 financial year, the Council delivered its savings as planned, leading to a balanced outturn and an increase in the general fund reserve which could then be applied to support the 2020/21 financial position. The final financial outturn for the year was very close to the projected position throughout the year. The Council has appropriate arrangements in place to identifying and deliver the savings necessary once these are identified.</p> <p>As in the prior year, the Council had a significant underspend against its capital programme. The revenue impact of the slippage has been taken into account in the updated MTFS. A full review of the capital plans themselves was undertaken as part of the refresh of the MTFS necessitated by the Covid-19 pandemic. As with revenue, detailed reports setting out variances and the reasons for them have been presented to the Council throughout the year so that Members understand the position.</p> <p>Regular reporting was provided to both Cabinet and the Council on the level of savings proposed, progress in achieving them as well as additional pressures emerging.</p> <p>Camden set a balanced budget for 2020/21. Further savings were required and schemes were identified by Directorates. These were then subjected to a robust challenge process to assess the likelihood and extent of achievement.</p> <p>The MTFS as agreed during 2019/20 was challenging and has been further challenged by the impact of the Covid-19 pandemic, with lost income and additional expenditure being incurred. The Council are applying robust challenge to saving and spend projections for future years across all Directorates. Financial reporting to Council has included details associated with the Council's response to the Covid-19 pandemic, and its potential longer term impact, as this has developed</p>	Yes

7. Value for Money

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Council has well developed arrangements setting out how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable. The Audit and Governance Committee (AGC) fulfils the expected functions of such a committee and has continued to meet regularly throughout the year, receiving reports of internal and external audit, and challenged the findings and recommendations as appropriate.</p> <p>The Corporate Risk Register is formally reported regularly to AGC with a supporting analysis detailing movements in risk levels. There are a number of developed risk registers at service levels which are also subject to regular review and challenge.</p> <p>The Council has a detailed Treasury Management Strategy in place with regular reporting throughout the year. Decisions on treasury management are linked to the overall Medium Term Financial Strategy and capital programme of the Council.</p> <p>There has been regular reporting to Cabinet of performance and financial performance throughout the year, with a Medium Term Financial Strategy (covering the period to 2021/22) for the year ended 31 March 2020.</p> <p>However, the Council did not have appropriate arrangements in place to support timely and accurate financial reporting at the year end. The Council's Financial Reporting Team did not have the capacity, skills, experience to support the year end close down process. The accounts presented for audit for the year to 31 March 2020 were of very poor quality and the supporting working papers were also poor, including the working papers in respect of key aspects of the Council's financial statements.</p> <p>The Council's arrangements for the valuation of, and accounting for, property, plant and equipment and investment properties was inadequate. The Financial Reporting Team did not understand the requirements of the CIPFA code with respect to asset valuations. The Council's supporting records, including those related to the classification of assets, were not fit for purpose. A considerable amount of additional work was required by the Financial Reporting Team and the Council's external valuer to address the weaknesses in the Council's asset register, accounting and financial reporting.</p> <p>In addition to the challenges of accounting for property, plant and equipment, the Financial Reporting Team was not sufficiently aware of, and able to comply with, the requirements of the CIPFA code. This lack of understanding was exacerbated by the poor quality of some supporting records and system reports arising from the failure to properly reconcile and clear ledger codes on a timely basis, particularly in respect of legacy balances. Added to this, the Financial Reporting Team have found it difficult to run some system generated reports such as those to support the year end accounts receivables and payables.</p> <p>Recognising some of the weaknesses in its arrangements in place, the Council brought in an interim financial accountant to provide additional capacity and technical support . This support is intended to identify improvements to the Council's accounting and closedown processes for the 2020/21 statements and for future years. Notwithstanding this, a step change is required in the Council's arrangements for financial reporting.</p>	Yes – Except for timely and accurate financial reporting



7. Value for Money

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	<p>The Council's Constitution in place for the year set out details of the Camden's overall arrangements for contracting with third parties.</p> <p>The Council works with a range of third parties where there is potential for this to help the delivery of good quality services to residents and visitors to the area. Once of the most important partnerships is with the health sector. During 2019/20 the Council worked collaboratively with Camden Clinical Commissioning Group to ensure the provision of joined up health and social care services for its residents.</p> <p>The Council has procurement procedures in place and maintains a contracts register. The Council seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services. The Council has a corporate procurement team to oversee procurement. The tight financial constraints in place at the Council mean that procurement is reviewed closely.</p>	Yes



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To be provided to us on client headed note paper

[Date]

Dear Karen

London Borough of Camden - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of London Borough of Camden ('the Council') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) as amended in December 2023, and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code as amended, and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Financial Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.



Appendix A: Draft management representation letter (continued)

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council’s financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates are reasonable, including:

- those measured at current or fair value; and
- provision for NNDR Appeals.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.



Appendix A: Draft management representation letter (continued)

Fraud and error

I acknowledge my responsibility as Chief Financial Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.



Appendix A: Draft management representation letter (continued)

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

I confirm that the Council and Group has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in the Appendix to this letter.

Yours faithfully

John Rowney
Chief Financial Officer



Appendix B: Draft audit report

Independent auditor’s report to the members of London Borough of Camden

Report on the financial statements

Opinion

We have audited the financial statements of London Borough of Camden ('the Council') for the year ended 31 March 2020, which comprise the Council Comprehensive Income and Expenditure Statements, the Council and Movement in Reserves Statements, the Council and Balance Sheets, the Council and Cash Flow Statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of London Borough of Camden as at 31st March 2020 and of the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land and buildings and investment assets and the Council’s share of the pension fund’s property investments

We draw attention to note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings and investment properties and the valuation of the Council's share of Camden Pension Fund's pooled property investments. As disclosed in note 4 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic creating a shortage of relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer (Section 151 Officer) is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



Appendix B: Draft audit report

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Financial Officer (Section 151 Officer) for the financial statements

As explained more fully in the Statement of the Chief Financial Officer (Section 151 Officer)'s Responsibilities, the Chief Financial Officer (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Chief Financial Officer (Section 151 Officer) is also responsible for such internal control as the Chief Financial Officer (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (Section 151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Financial Officer (Section 151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

- We are required by the Code of Audit Practice to report to you if:
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
 - we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
 - we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014

We have nothing to report in these respects



Appendix B: Draft audit report

Conclusion on London Borough of Camden’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, London Borough of Camden has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of London Borough of Camden, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Executive summary	Status of audit	Audit approach	Significant findings	Internal control recommendations	Summary of misstatements	Value for Money	Appendices
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Appendix B: Draft audit report

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

Karen Murray
For and on behalf of Mazars LLP
One St Peter's Square
Manchester
M2 3DE
XX June 2023



Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none">a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; andb. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Chief Financial Officer that London Borough of Camden will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit Committee, confirming that</p> <ul style="list-style-type: none">a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:<ul style="list-style-type: none">i. Management;ii. Employees who have significant roles in internal control; oriii. Others where the fraud could have a material effect on the financial statements; andd. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.