

Audit and Corporate Governance Committee  
London Borough of Camden  
Camden Town Hall  
Judd Street  
London  
WC1H 9JE

11 March 2024

## Audit of financial statements of London Borough of Camden for the year ended 31 March 2021

### Update/Conclusion of pending matters included in the Audit Completion Report September 2023

Following on from our correspondence and as required by International Standards on Auditing (UK and Ireland), we are writing to confirm that the matters that were marked as outstanding within our Audit Completion Reports presented to the Audit and Corporate Governance Committee on 21 September 2023 have now been completed.

The outstanding matters and the conclusions reached are detailed in the following tables.

Matter	Update/Conclusion reached
Infrastructure Assets	We have completed our audit procedures and have no additional matter to report.
Usable and unusable reserves	
Cash and Bank	
Movement in Reserves Statement (MiRS) and usable and unusable reserves	
Usable and unusable reserves	
Agreement of opening balances	
Estimates	
Pension	The net LPFA pension liability increased by £1.1m per the revised actuarial valuation report. This has been adjusted by the council in the statement of accounts.
Property, Plant and Equipment	While completing our audit procedures, we noted an inaccuracy between the floor area measurement per the evidence and the figure considered by the council's valuer. This discrepancy resulted in an extrapolated undervaluation of the PPE by £3.6m. The has not been adjusted by the council and we reported the same as unadjusted audit misstatement, refer Appendix 1.
Review and closure procedures	<p>We have received a final set of updated statements. These include a small number of further amendments as follows:</p> <ul style="list-style-type: none"> <li>• <b>Related Party Transactions</b> – The note was revised to include a table disclosing payments to and receipts from organisations where a Council Member is judged to have significant influence or control over those other organisations and where</li> </ul>

Matter	Update/Conclusion reached
	<p>the Council has total transactions with them in 2020/21 over £50,000.</p> <ul style="list-style-type: none"> <li>• <b>Trust Funds and Other Accounts</b> – The note was revised to correct the opening balances for trust funds and to correct the presentation of receipts and payments of funds in 2020/21.</li> <li>• <b>Housing benefit subsidy</b> – Covid grant on £1.6m was wrongly debited in the housing benefit subsidy. This has been adjusted by the council in the statement of accounts.</li> </ul> <p>We have also noted an area where the Council's accounts remain non-compliant with the requirements of the CIPFA Code because disclosures are not per requirements of the code:</p> <ul style="list-style-type: none"> <li>• Financial instruments (Note 16): The note uses 'loans and receivables' which is old terminology. Similarly, the note uses other terminology that is not in the standard e.g. 'at contract amount'. The disclosure should have been updated to use the three categories of FI included in IFRS 9.</li> </ul> <p>Subject to reporting these matters to you, we have completed our final review and closure procedures.</p>
Signed final statements, Annual Governance Statements and signed Management Representation Letter	<ul style="list-style-type: none"> <li>• We have received an updated Annual Governance Statement and have completed our review. There are no matters to report.</li> <li>• We have received the signed statements and signed management representation letter.</li> </ul>
Events occurring after reporting date	We are in the process of completing our file closure procedures so that we can sign the audit report.
File closure procedures	

We have also now completed our work on Value for money (VFM) arrangements work. In September 2023 we reported that we were considering the matters reported in the audit completion report in relation to the Council's arrangements pertaining to timely and accurate financial reporting to determine whether they constituted a significant weakness in arrangements. Our determination is as follows:

**Governance arrangements in relation to how the Council ensures that it makes informed decisions and specifically how it ensures effective processes and systems are in place to support its statutory financial reporting requirements.**

As a result of delays in the accounts and audit for the year ending 31 March 2020, the Council published its draft accounts for audit for the year ending 31 March 2021 in September 2022, which was after the statutory date of 31 May (as required by the Accounts and Audit Regulations 2015). For the accounts of the year ending 31 March 2021, whilst the Council had been able to make some improvements to its financial reporting arrangements compared to 2019/20, in particular, improving its compliance with the CIPFA Accounting Code and increasing its financial reporting team capacity, it was been unable to make significant improvements to the quality of its supporting working papers and the completeness and accuracy of all of the general ledger system reports that support balances within the accounts. This is evidenced by our audit findings, which were detailed in our audit

completion report issued to the Audit Committee in September 2023, including further recommendations for improving financial reporting controls.

Based on the above findings we consider there to be evidence of a significant weakness in the Council's governance arrangements for how it ensures that it makes informed decisions and specifically how it ensures effective processes and systems are in place to support its statutory financial reporting requirements.

#### *Recommendation in response to the significant weakness in arrangements*

We recommend that the Council continues to take actions to improve the timeliness and quality of its draft statement of accounts and supporting working papers in response to the 2019/20 and 2020/21 auditor's reporting, so it ensures it meets the statutory requirements in relation to publication of financial statements. In particular, the Council should:

- Address the agreed internal control recommendations;
- Implement a robust quality control procedure for its draft accounts; and
- Improving the responsiveness to audit queries.

We aim to draft and issue the VFM commentary shortly.

### **Whole of Government Accounts (WGA) Reporting**

The NAO has finalised its Group Audit for 2020/21. There is no longer a requirement for the Council or its auditor to submit a consolidation pack for 31 March 2021.

### **Materiality**

Our provisional materiality at the planning stage of the audit was set at £20.44m using a benchmark of 2% of gross operating expenditure.

Our final assessment of materiality, based on the draft financial statements, is £23.5m using the same benchmark.

We set our trivial threshold at £700k based on 3% of final materiality. Individual errors below this level have not been reported to the Audit and Governance Committee.

### **Misstatements**

As a result of completing our work we summarise the relevant adjusted and unadjusted misstatements in Annex A to this letter.

### **Internal control observations**

While completing our outstanding audit procedures, we noted the following additional internal control matter:

<b>Description of deficiency</b>
The Council has a policy to review the rents charged for properties it leases to commercial entities every three years. However, our testing identified some lease properties where this review had not been undertaken in line with the policy. Furthermore, the Council does not have a lease register in place to track when rent reviews are due. As a result, rent reviews only occur after other events trigger it
<b>Potential effects</b>
The Council is not complying with its policy. This gives rise to a risk the Council may be under-charging rent in respect of some leases.

**Recommendation**

The Council should aim to have more regular reviews of their commercial lease properties to ensure rents are reviewed and set in the context of the market value.

**Management response**

Management is aware of the backlog in rent reviews. This is due to inadequate resourcing and will take time to revolve.

Management intend to seek a change to the policy so that lease reviews are required on a 5 year cycle. This would both ease the workload and be in line with the 5 year cycle of the market.

To address properties missing their rent review date, the Council is in the process of acquiring a new property management system. Additionally, the Council plans to allocate more resources to the team to allow them to keep on top of all outstanding rent reviews going forward..

If you wish to discuss the points above, or any other points then please do not hesitate to contact me.

Yours faithfully,



**Suresh Patel**  
**Partner**  
Mazars LLP

Adjusted Misstatement		Income Statement		Balance Sheet		MIRS	Reserves
		Expenditure £'000	Income (£'000)	Assets £'000	Liabilities £'000	£'000	£'000
1	Dr: Housing Revenue Account		19,095	-	-		
	Cr: Housing Revenue Account	- 19,095					
	Dr: Housing Revenue Account	1,104					
	Cr: Corporate Services	- 1,104					
	Cr: Supporting Communities		- 489				
	Dr: Housing Revenue Accounts		489				
	<i>The adjustments required to reconcile the 'Expenditure and Income analysis by nature' and with the CIES and Balance Sheet and correct the internal recharges.</i>						
2	Dr: Creditors	-	-		23,620	-	-
	Cr: Debtors			- 23,620			
	<i>This corrects errors made in the debtors and creditors (classification, grossing-up, etc.) in 2019/20, and of treatment of Leaseholder Income invoiced in advance of year end.</i>						
3	Cr: Depreciation – Infrastructure			- 6,986			
	Dr: Depreciation – Supporting Communities	6,986					
	Cr MIRS					- 6,986	
	Dr: Capital Adjustment Account						6,986
	Dr: Capital Adjustment Account						6,049
	Cr: Accumulated Depreciation			- 6,049			
	<i>Being adjustment for depreciation on the Infrastructure Assets for 2020/21, and accumulated depreciation from 2019/20</i>						

Adjusted Misstatement		Income Statement		Balance Sheet		MIRS	Reserves
		Expenditure £'000	Income (£'000)	Assets £'000	Liabilities £'000	£'000	£'000
4	Dr: Council Dwellings Cr: Other operating Expenditure Dr: MIRS Cr: Capital Adjustment Account	- 10,000		10,000		10,000	- 10,000
	<i>Adjustment for disposal of dwelling that was completed in prior year but incorrectly included in the current year accounts.</i>						
5	Dr: Property, plant and equipment Cr: Investment properties			6,300 - 6,300			
	<i>Reclassification of property previous included as investment properties but moved to Asset Under Construction in 2019/20</i>						
6	Dr Actuarial loss on Pension Liabilities Cr Net liability arising from defined benefit obligation Cr MIRS Dr Pension Reserve	1,098			- 1,098	- 1,098	1,098
	<i>Adjustment to account for the impact of asset ceiling calculation as per revised LPFA IAS19 report.</i>						
7	DR Grant income credited to CIES CR Housing benefit subsidy	1,065 - 1,065					
	<i>Adjustment on account of correct classification of covid grant of £1.06m, which was incorrectly debited into the £165m total for the housing benefit subsidy.</i>						
<b>TOTAL</b>		<b>- 21,011</b>	<b>19,095</b>	<b>- 26,655</b>	<b>22,522</b>	<b>1,916</b>	<b>4,133</b>

The following unadjusted misstatements have been identified as part of the completion of the audit:

Un-adjusted misstatement		Income Statement		Balance Sheet		Reserves
		Expenditure £'000	Income (£'000)	Assets £'000	Liabilities £'000	£'000
1	Dr: Short term creditors  Cr: Other long-term liabilities	-	-	-	3,473  (3,473)	-
	<i>Adjustment in respect of extrapolation of errors identified from our testing of refundable deposit due for payment more than a year in future but wrongly classified as short-term creditors.</i>					
2	DR Property, Plant and Equipment  CR Revaluation Reserve	-	-	3,645	-	(3,645)
	<i>Adjustment on account of difference in the floor area on record for an item of PPE and the same considered by the valuer. This discrepancy resulted in an extrapolated undervaluation of the PPE</i>					
<b>Total</b>		-	-	<b>3,645</b>	-	<b>(3,645)</b>