LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: External Audit Strategy 2025/26	
REPORT OF: Director of Finance	
FOR SUBMISSION TO: Audit and Corporate Governance Committee	**DATE:** 7 July 2026

SUMMARY OF REPORT:
This report presents to the Audit and Corporate Governance Committee the plans from the external auditor Forvis Mazars for the audit of the 2025/26 accounts.

LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION
No documents that require listing have been used in the preparation of this report.

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RECOMMENDATIONS

The Audit & Corporate Governance Committee is asked to approve the audit strategy for the Council for 2025/26 presented at **Appendix A**, and the audit strategy for the Pension Fund presented at **Appendix B**.

SIGNED: **Approved by Director of Finance**

DATE: **22 June 2026**

1. Purpose of Report

1.1. Within its terms of reference the Audit and Corporate Governance Committee has responsibility for overseeing internal and external audit, and specifically to consider the external auditor's annual audit plans, audit findings, and other relevant reports reporting to those charged with governance.

1.2. This report presents to the Committee the External Auditor's strategy memoranda for the Council and Pension Fund, laying out the plans for carrying out the audit of the 2025/26 accounts.

2. Background

2.1. The 2025/26 audit strategy should be read in the context of the national Crisis in Local Audit as reported by the Public Accounts Committee, and recent filing history at Camden. Surfacing in 2019, a combination of factors including a lack of audit resource, increased complexity of local authority accounting arrangements, and increased scrutiny by the audit regulator led to a period of elongated audits, delayed opinions, and a build-up of unsigned accounts across local government.

2.2. Exacerbated by the Covid pandemic in 2020, many authorities were soon in a position of having accounts for more than one financial year outstanding, and audits overlapping, further compounding the challenge. The Public Accounts Committee launched an inquiry and reported in June 2023 that the system of local government audit was close to breaking point.

2.3. For the 2022/23 financial year only 1% of councils managed to publish their audited accounts by the statutory deadline of 30 September 2023, the backlog peaking at this point with 918 outstanding sets of accounts.

2.4. In November 2024 the Ministry of Housing, Communities & Local Government (MHCLG) published a policy paper on addressing the local audit backlog and subsequently a strategy for overhauling the local audit system. In order to address the backlog a three-stage programme was launched around the themes of

1) **Reset** (issuing statutory deadlines by which outstanding audits must be concluded, permitting the issuance of disclaimed audit opinions)
2) **Recover** (issuing audit backstop dates up to 2027/28, with expectation that audit assurance is rebuilt and audit backstop deadlines are brought forward)
3) **Reform** (addressing the driving issues of system oversight, workforce strategy and financial reporting reforms)

2.5. The backstop dates came into force in September 2024, setting out dates by which authorities must have approved and published their accountability statements for the relevant year, including the statement of accounts together with the audit opinion and any certificate, the annual governance statement and narrative statement. Those dates are as follows:

Financial Year	Backstop Deadline
2022/23 and earlier	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

2.6. Camden, like many local authorities, experienced significant delays with the audit of accounts over the past 5 years but has worked hard to improve its financial reporting environment and bring outstanding audits to a close. The audits for 2019/20, 2020/21 and 2021/22 were conducted in full and were concluded in 2024.

2.7. Due to insufficient time to fully complete the audits of the 2022/23 and 2023/24 Council accounts Camden received a disclaimed audit opinion for those financial years. A disclaimed audit opinion should not be construed as an adverse opinion or imply any financial irregularity. It is the result of the auditor not being able to complete all the necessary checks to verify the accuracy of the information. The accounts are still signed off by the Chief Finance Officer and agreed by Committee, with the external auditors completing some checks and forming opinion on the Council's value for money arrangements.

2.8. For 2024/25 the Council returned to statutory reporting deadlines for publishing draft accounts and a full audit was planned and largely completed by the backstop. The Council received a disclaimed audit opinion due primarily to incomplete assurance on opening balances and prior year comparators, but also outstanding audit work on lease arrangements.

2.9. Following a disclaimer of opinion, it is acknowledged that a process of rebuilding assurance will need to take place over a number of subsequent audits, as assurance is obtained on closing balances, in year movement, opening balances and prior year comparators. The following table is an example provided by CIPFA on what the path of rebuilding assurance might look like for an authority, and may be representative of what could be achieved with regards to the Council accounts at Camden.

CIPFA example of path to unmodified opinion

Audit Year	Audit Opinion	Prior Year Comparatives	Opening Balances	In Year Movements	Closing Balances
2022/23	Disclaimer	✓	✓	✗	✗
2023/24	Disclaimer	✗	✗	✗	✗
2024/25	Disclaimer	✗	✗	✗	✓
2025/26	Qualified	✗	✓	✓	✓
2026/27	Unmodified	✓	✓	✓	✓

2.10. Camden is not alone in receiving a disclaimed audit opinion. Statistics provided by the PSAA (Public Sector Audit Appointments) show that, as at March 2026, more authorities had received a disclaimed opinion than an unmodified one for 2023/24 and 2024/25.

	2023/24	2024/25
Not yet delivered	14	24
Unmodified by backstop date	173	182
Disclaimed (backstop) by backstop date	217	188
Non-standard by backstop date	21	50
Delivered after backstop date	35	13
Total	**460**	**457**

2.11. The accounts and audit of the Pension Fund are more straight forward than for the Council, and the Pension Fund audit has returned from a disclaimed audit opinion in 2022/23 to receiving an unmodified opinion in 2024/25.

3. Audit Strategy 2025/26

3.1. The strategy for the audit of the 2025/26 accounts is to be presented to the Committee for approval in line with the Committee's terms of reference. The Council and Pension Fund accounts are required to be presented in the same Statement of Accounts, however the audit and auditor opinion are provided separately. Forvis Mazars have prepared the Audit Strategy Memorandum for the Council, presented in **Appendix A**, and for the Pension Fund in **Appendix B**.

3.2. Each memorandum presents detail of the responsibilities, resourcing, the scope of audit and broad timeline for the audit's completion. For 2025/26 the same audit management team will oversee the audits of both the Council and Pension Fund.

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3.3. The audit strategy identifies five areas which Forvis Mazars have indicated provide significant risk of material misstatement, and where audit attention will focus, being

- Management override of controls
- Valuation of property, plant and equipment
- Valuation of investment property
- Valuation of pension liability
- Accounting for leases and implementation of IFRS16

These areas of focus are in line with expectations and will be prioritised towards the start of the audit.

3.4. The audit timeline shows plans to complete audit in time for the backstop date at the end of January 2027. Value for Money work will be completed in time to report VFM commentary in the Annual Auditors Report, which is required by 30 November.

3.5. The strategy reports on plans for rebuilding assurance, and the expectation Forvis Mazars have for returning to an unmodified opinion by 2027/28.

3.6. Materiality thresholds are in line with the previous year, based on 2% of gross expenditure. Performance materiality is £21m and triviality threshold is £1m.

3.7. The strategy also reports a summary of lessons learnt from prior year audits and plans for improvement. Officers will work closely with auditors to deliver improvements and commit to completing the audit in a timely manner.

Camden Pension Fund

3.8. The Pension Fund audit strategy again identifies Management Override of Controls as a standard area of significant risk. The other area of focus is the fair value assessment of investments, which is consistent with prior years.

3.9. The audit of the Pension Fund will be shorter than for the Council accounts, however audit completion has to be done in tandem, and so is expected in January 2027.

4. Finance Comments of the Director of Finance

4.1. This is a report of the Director of Finance and his views are incorporated into this report.

5. Legal Comments of the Borough Solicitor

5.1. This report, together with the proposed Audit Strategies (Appendix A and B) contains detailed reference to the legal requirements and guidance considered by the Auditors when finalising the Memorandums on behalf of the Council. The responsibility of the Auditor is principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO). Similarly, the Council is obliged to consider and action the contents of the Memorandums and should, in particular, give careful consideration to the significant risks and other key judgement areas and plans to address the issues raised.

5.2. As set out in paragraph 2.5 of this report, after approving the statement of accounts, a local authority must publish its accountability statements for the financial year beginning in 2025 on or before 31st January 2027 (Accounts and Audit Regulations 2015/234 reg. 9A; Accounts and Audit (Amendment) Regulations 2024/907 reg. 2). If the authority is unable to publish by this deadline due to the local auditor not having entered its opinion on the statement of accounts, the authority must publish a notice stating the reasons and publish the statements as soon as reasonably practicable thereafter.

6. Environmental Implications

6.1. There are no environmental implications.

7. Appendices

Appendix A: 2025/26 Indicative Audit Strategy for Camden Council
Appendix B: 2025/26 Indicative Audit Strategy for Camden Pension Fund

REPORT ENDS