Indicative Audit Strategy Memorandum

London Borough of Camden - Year ending 31 March 2026- DRAFT

For the 7 July 2026 meeting of the Audit and Corporate Governance meeting

Members of the Audit and Corporate Governance Committee
London Borough of Camden
5 Pancras Square
London
N1C 4AG

5 June 2026

We are pleased to present our Audit Strategy Memorandum (“ASM”) for London Borough of Camden for the year ending 31 March 2026. We will present this document at the Audit and Corporate Governance Committee meeting on 7 July 2026. If you would like to discuss any matters in more detail, please contact me on 07977 261 873 .

This report provides an overview of the planned scope and timing of our audit, including the significant and enhanced audit risks we have identified. In addition, as it is a fundamental requirement that we are, and are seen to be, independent of the Council this report also summarises our considerations and conclusions on our independence.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of our audit and our respective responsibilities,
- Sharing information to assist each of us with fulfilling our respective responsibilities,
- Providing you with constructive observations arising during our audit, and
- Ensuring that we gain an understanding of your attitude and views in respect of the risks facing the Council which may affect our audit, including the likelihood of those risks materialising and how they are monitored and managed.

This report, which we have prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations.

During the meeting, we would be grateful for your views/ knowledge on the following specific matters:

- Whether you have identified any other risks (business, laws & regulation, fraud, going concern, etc.) that may result in material misstatements in the financial statements.
- If you are aware of any significant communications between the Council and its regulators.
- If there are any matters that you consider warrant particular attention during our audit and/ or any areas where you would like additional procedures to be undertaken.

Yours faithfully,

Suresh Patel
Forvis Mazars LLP

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Executive summary

Audit timeline (page 6)	
Initial risk identification and assessment	March to June 2026
Developing the audit strategy and planning the audit work to be performed	
Agreeing timetable and deadlines	
Reassessment of audit plan and revision if necessary	June and July 2026
Preliminary risk assessment and developing an understanding of the Council's value for money arrangements	
Delivering our audit strategy starting with significant risks and high-risk areas including detailed testing of transactions, account balances and disclosures	July to November 2026
Detailed work to examine and assess arrangements in relation to any significant risks relating to the value for money conclusion	
Issuing draft auditor annual report containing VFM commentary	Nov 2026
Final review and completion procedures	Dec 2026 and Jan 2027
Reporting to the Audit and Corporate Governance Committee	
Signing the independent auditor's report	

Materiality (pages 13 and 25)		
Gross Expenditure : £1,775,463k		
Materiality	Performance materiality	Reporting threshold
£35,358	**£21,215**	**£1,061**

Audit risks and other significant matters (pages 7 – 11)

Risk	Significant risk	Enhanced risk	Risk evolution	Page
Management override of controls	●	○	=	Page 7
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Valuation of investment property	●	○	=	Page 9
LGPS – Net defined benefit valuation	●	○	=	Page 10
IFRS 16 implementation of leases	●	○	=	Page 11

Other significant matters (pages 17)

Value for money risk assessment

Our independence (page 15)

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit in the UK, including the FRC's Ethical Standard, the Code of Audit Practice and associated guidance issued by the National Audit Office.

Fees (page 14)	
PSAA scale audit fees for 2025/26	£460,079
Additional fees	TBC
Non-audit fees	-
Total fees	TBC

Your audit team

Suresh Patel

Partner & Engagement Lead

Email: suresh.patel@mazars.co.uk

Telephone: +44 (0)7977 261 873

Rajesh Arora

Engagement Senior Manager

Email: rajesh.arora@mazars.co.uk

Telephone: +44 (0)7580 603 178

Helena Marshall

Engagement Assistant Manager

Email: helena.marshall@mazars.co.uk

Telephone: +44 (0)7816 209 766

We know that you value a team that understands the Council, can work effectively with officers and brings wider local government experience. Suresh will continue as your engagement lead for the 6th year and Rajesh will continue to manage your audit. Both bring experience of working with other London Boroughs. Helena is the new Engagement Assistant Manager for 2025/26, who was a team member on 2024/25 audit and is a product of our public sector auditor training programme. Helena will support Rajesh and the wider team.

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Audit scope, approach, and timeline*

Planning and risk assessment March - April 2026	Interim June – July 2026	Fieldwork September – December 2026	Communication December 2026	Completion January 2027
• Planning our visit and developing our understanding of the entity • Documenting systems and control and performing walkthroughs • Risk identification and assessment • Considering proposed accounting policies and accounting treatments • Developing our audit strategy and planning the audit work to be performed. • Agreeing timetable and deadlines • Preliminary analytical review • Determination of materiality	• Documenting any remaining systems and controls and walkthroughs • IT general controls testing • Reassessment of our audit strategy (and revising if necessary) • Early substantive testing of transactions • Undertake planning work for our Value for Money (VFM) responsibilities • Collate evidence to support our VFM work, including obtaining key documents and confirming our understanding of arrangements in place.	• Executing our strategy, starting with significant risks and other higher-risk areas • Receiving and reviewing the draft financial statements • Confirm our understanding of VFM arrangements, including determining any identified significant weaknesses, including participation in the firm's Consistency Panel process. • Release our VFM commentary in our Annual Auditors Report.	• Communicating progress and any issues arising • Clearance meeting(s) • Communication of identified significant weaknesses as appropriate throughout the audit	• Final review of financial statements, and disclosure checklist • Final partner review • Agreeing the content of the letter of representation • Preparing our auditor's report, including our VFM exception reporting • Reporting to the Audit and Corporate Governance Committee • Subsequent events procedures • Signing our auditor's report

Audit risks and other significant matters

Significant risks

In this section, we have set out the significant and enhanced audit risks we have identified and our planned response. If we identify additional risks or change our risk assessment during our audit, we will report this to you. Refer to Appendix A for definitions. We have also set out in this section of the report any other significant matters that we consider should be brought to your attention.

Risk		Description	Our planned response
1.	**Management override of controls**	This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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 are required by auditing standards to identify a significant risk of management override of controls on our audit.	In line with our methodology, we plan to address the management override of controls risk through performing audit work over a range of areas including (but not limited to): • accounting estimates included in the financial statements for evidence of management bias; • significant transactions outside the normal course of business; and • testing a sample of journals that meet our risk criteria and other adjustments recorded in the general ledger in preparing the financial statements.

Audit risks and other significant matters

Significant risks

<table>
<tr><th colspan="2">Risk</th><th>Description</th><th>Our planned response</th></tr>
<tr><td>2.</td><td>Valuation of property, plant and equipment</td><td>The financial statements include material Balance Sheet amounts (dwellings valued £2,889m and other land and building valued £1,354m as of 31 March 2025) and disclosures relating to the Council’s land and buildings. The valuation of these assets involves significant judgement, estimation uncertainty and the use of assumptions, including market conditions and valuation methodology. This risk also extends to the Council’s Right of Use asset balance where those are subject to revaluation.

The Code has been amended in 2025/26 and now requires other land and buildings to be valued once every 5 years with annual indexation applied to assets during the intervening years. CIPFA have not prescribed the index to be applied, and the Council will apply judgement in relation to the appropriate indices to use based on the asset type.

The Council has made special considerations of its approach in revaluing its assets during 2025-26. Due to the high degree of estimation uncertainty associated with valuations, we have determined there is a significant risk in this area.</td><td>To address this risk we will:

• liaise with management to update our understanding on the approach taken by the Council in its valuation of land and buildings; and
• check that the Council has made all required disclosures in the accounts and relevant notes.

For assets that have been revalued in year we will:

• assess the scope of terms of engagement of the valuer:
• assess the competence, skills and objectivity of the valuer; and
• for a sample of valuations, we will:
➢ test the accuracy of the data used in the valuation;
➢ challenge the assumptions applied by the valuer and the Council; and
➢ review the appropriateness of the valuation method used.

For assets that have been indexed in the year we will:

• gain an understanding of the approach taken by the Council;
• assess the relevance of the indices used;
• consider the reasonableness of the indices used by comparing to available market data; and
• test a sample of assets to ensure indexation has been applied appropriately.

We will also follow up on prior year recommendations made regarding property, plant and equipment.</td></tr>
</table>

Audit risks and other significant matters

Significant risks

Risk		Description	Our planned response
3.	**Valuation of investment property**	The financial statements include material Balance Sheet amounts (£213m as on 31 March 2025) and disclosures relating to the Council's Investment Properties. Where a Council's investment properties are subject to revaluation, the Code requires that the carrying value should reflect the appropriate fair value as at the year end. The valuation of these assets involves significant judgement, estimation uncertainty and the use of assumptions, including market conditions and valuation methodology. Due to the high degree of estimation uncertainty associated with valuations, we have determined there is a significant risk in this area.	To address this risk, we will assess the risk of valuations changing materially in year, considering the movement in market indices between valuation dates and the year end, to determine whether these indicate that fair values have moved materially. We will also seek assurances from management that they have appropriately challenged the work of their experts. In addition, we will: • assess the valuer's qualifications; • assess the valuer's objectivity and independence; • review the methodology used; • for a sample of investment properties, perform testing of the associated underlying data and assumptions; and • ensure the accounting treatment of the valuation and associated movements is compliant with relevant accounting framework. We may engage our own auditor's expert to support our work.

Audit risks and other significant matters

Significant risks

Risk		Description	Our planned response
4.	**Local Government Pension Scheme – Net Defined Benefit Valuation**	The net pension liability represents a material element of the Council's balance sheet as the Council is an admitted body of the Camden Pension Fund and London Pensions Fund Authority. The valuation of the Local Government Pension Scheme relies on several assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2025/26. This results in an increased risk of material misstatement in respect of valuation.	We will: • critically evaluate the Council's arrangements and relevant controls for making estimates in relation to pension entries within the financial statements; • challenge the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, using an expert commissioned by the National Audit Office; • critically assess the competency, objectivity and independence of the Actuary; • liaise with the auditors of the Pension Fund to gain assurance from the auditor of the Pension Fund; • reviewing a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets and evaluating whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets. • reviewing the actuarial allocation of Pension Fund assets to the Council by the Actuary, including comparing the Council's share of the assets to other corroborative information. • compare assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; and • agree data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.

Audit risks and other significant matters

Significant risks

Risk		Description	Our planned response
5.	**IFRS 16 Implementation on Leases**	IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The Council adopted the new standard for the first year in 2024-25. This is a complex area which requires management judgement, and for any property assets which fall within scope, the Council determines which measurement method it applies and whether those assets would be subject to valuation. Another impact on the Council's accounts this had was on the Service Concessions entered into by the Council. The net book value of the Council's PFI assets is significant. As we were unable to complete our work in this area in 2024-25 in respect of leases, we have carried forward the significant risk level.	We discussed with management the implementation of IFRS 16 in 2024/25. In addition to our standard programme of work in this area, we intended to address this risk by: • critically review the accuracy and completeness of the Council's assessment; • reviewing the accounting policy and relevant disclosures; and • substantively testing the valuation of lease liabilities and the corresponding right of use assets to ensure the valuations are in line with the requirements of IFRS 16 and the Code.

Re-building assurance

Background

A range of factors have led to delays in local authority financial reporting and audit over several years. Legislation passed by government in 2024, the Accounts and Audit (Amendment) Regulations 2024, addresses the backlog by introducing a series of 'backstop dates' by when local authorities or similar bodies must publish financial statements, even if the audit is not completed.

The delays at the Council originated from the significantly delayed 2019/20 and 2020/21 accounts audits, due to deficiencies in the quality of the accounts and supporting working papers. Both years received unqualified audit opinions. So too did 2021/22 in November 2024. However, as a result of the delays, we had insufficient time to complete all required audit procedures in advance of the backstop dates to enable us to form an opinion on the financial statements for 2022/23, 2023/24 and 2024/25. As a result, we do not have assurance over all opening balances for the 2025/26 financial statements. This absence of assurance relating to previous years presents challenges in relation to reserve balances as these reflect transactions posted in earlier years, including transactions which maintain the split between usable and unusable reserves that is required to comply with the local authority financial reporting framework.

Rebuilding assurance

'Rebuilding assurance' is the term used by the National Audit Office ('NAO') in guidance issued to auditors in the form of Local Audit Reset and Recovery Implementation Guidance (LARRIGs), and describes the process whereby auditors can, usually over more than one audit cycle, return to a position where an unmodified opinion on the financial statements can be issued. Our overall approach to re-building assurance has been developed in line with the LARRIGs and fully complies with the Code of Audit Practice and International Standards on Auditing (UK).

The nature and extent of the procedures required to rebuild assurance will depend on the specific circumstances at each entity and on the results of a detailed risk assessment. This assessment considers risks at both the entity level and the financial statement level for the periods covered by our disclaimed opinions. Our assessment is currently underway, and we will provide an update to the committee on the nature, timing, and extent of the procedures once the risk assessment has been completed. The table below sets out an illustrative example of how the type of audit opinion given could change over the coming financial years following the successful completion of our planned work to rebuild assurance.

Potential future opinion based on planned rebuilding programme			
Financial Year	**Opinion Type**	**Publication Deadline**	**Notes**
2025/26	**Qualified**	30 January 2027	Full audit of 2025/26 and proof in total - The audit team no longer needs to disclaim as it has regained assurance over the closing balance sheet. However, it qualifies all other primary statements due to a lack of assurance over the opening position which has the potential to impact the current year CIES, MIRS and Cash Flow.
2026/27	**Qualified**	30 November 2027	Fill audit of 2026/27 - The audit team still needs to qualify as it lacks assurance over the comparability of the prior year CIES, MIRS and Cash Flow Statement as it has not previously expressed an opinion on those primary statements.
2027/28	**Unmodified**	30 November 2028	Full audit of 2027/28 - The audit team now has assurance over the primary statements and the comparative amounts.

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Materiality

We consider the gross expenditure of the Council to be the key focus of the users of the financial statements. We have therefore determined our initial materiality levels using this as the benchmark.

We expect to set financial statement materiality as 2% of gross expenditure at surplus/deficit on provision of services. We will use 60% of that as performance materiality.

Based on currently available information being the audited 2024/25 Statement of Accounts, we anticipate setting our financial statement materiality and performance materiality at the levels set out in the table adjacent.

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

We will accumulate misstatements identified during our audit that are above the reporting threshold set out in the table adjacent, i.e., any misstatements that we identify that are above the reporting threshold will be reported to you and management. Any misstatements that we identify that are below that amount would not need to be reported because we expect that the accumulation of such amounts would not have a material effect on the financial statements. If you have any queries about our reporting threshold, please raise these with me.

Each misstatement above our reporting threshold that we identify will be classified as **adjusted** (corrected by management), or **unadjusted** (not corrected by management). We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to you as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on the financial statements and our audit opinion

Misstatements also cover qualitative misstatements and quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

We also consider whether there are any financial statement areas or disclosures where a misstatement of an amount lower than overall materiality could reasonably be expected to influence the economic decisions of users of the financial statements. Our assessment of the financial statements and/or disclosures to which this applies and the specific materiality level we have set is included in the table below.

	2025-26 £'000s	**2024-25 £'000s**
Overall materiality	£35,358	£35.510
Performance materiality	£21,215	£21,306
Clearly trivial	£1,061	£1,065
Specific materiality (senior officer remuneration bandings)	£5	£5

Fees

Audit fees and other services provided by Forvis Mazars LLP

Our fees (exclusive of VAT) for the audit of the financial statements for the year ended 31 March 2026 are outlined in the table adjacent.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit.

The proposed fee reflects the scale fee determined by PSAA and information on how the scale fee is set can be found on PSAA's website. Where an auditor is required to undertake substantially more or less work to deliver their responsibilities a fee variation may be proposed which is subject to approval by PSAA. Examples compiled by PSAA of circumstances that may trigger a fee variation are available on the PSAA website.

We include the additional fees agreed with the Council for 2024/25.

Any threats to our independence arising from the provision of non-audit services and the associated safeguards we have identified and/ or put in place are set out on the in the 'Our independence' section of this report.

Nature of service	2025-26 proposed fee	2024-25 actual fee
PSAA scale audit fee	£460,079	£447,548
Additional work:		
- Valuation of PPE and Investment Properties	TBC	£23,412
- IFRS 16 first year implementation	TBC	-
- Objection to the accounts	-	£19,952
Total audit fees	TBC	**£490,912**

Our independence

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships that we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that, in our professional judgement, there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the context of the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration and complete annual ethics training,
- All new partners and staff are required to complete an independence confirmation,
- Rotation policies covering audit engagement partners and other key members of the audit team, and
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that Forvis Mazars LLP, the engagement team and others in the firm as appropriate, and, when applicable, Forvis Mazars member firms are independent and comply with relevant ethical and independence requirements. However, if at any time you have concerns or questions about our integrity, objectivity, or independence, please discuss these with me in the first instance.

Prior to the provision of any non-audit services, I will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: Terms of Appointment from 1 July 2021 - PSAA. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

We have not identified any threats to our independence in connection with the services we have provided to the Council. We will update our independence assessment if this changes and inform you of the outcome as part of subsequent reporting to you.

Status update

During April 2026, we commenced our planning procedures, these included:

- Updating our understanding of the entity;
- Documenting systems and control and performing walkthroughs;
- Risk identification and assessment;
- Considering proposed accounting policies and accounting treatments;
- Developing our audit strategy and planning the audit work to be performed;
- Agreeing timetable and deadlines;
- Preliminary analytical review; and
- Determination of materiality.

As on the date of this report our planning work is still in progress.

Audit wash-up meeting and lesson learned
Since concluding our 2024-25 audit, the audit team and finance team have held a constructive and productive wash up meeting. The wash up meeting has allowed the audit and finance teams to reflect on the challenges encountered with a view to facilitating a more efficient accounts and audit process for 2025/26. We include the actions agreed in the wash-up meeting at **Appendix B**.

Value for money

The framework for Value for money work

We are required to form a view 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 view and sets out the overall criterion and sub-criteria that we are required to consider.

We undertake our VFM work in accordance with the 2024 Code of Audit Practice (the Code). Our responsibility, under the Code, is to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our approach

Our work falls into three primary phases as outlined opposite. We gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified, we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle, and we are not expected to wait until issuing our overall commentary to do so.

Planning	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: • NAO guidance and supporting information • Information from internal and external sources including regulators • Knowledge from previous audits and other audit work undertaken in the year • Interviews and discussions with staff and members
Additional risk- based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements which forms part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement; and • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council

We have not yet completed the value for money planning risk assessment yet and we are not aware of any significant weaknesses in the arrangements of the Council at this stage. We will report any identified risks to the Committee on completion of our planning and risk identification work.

Appendix A: Other communications

Audit scope and approach

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (ISAs) (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are driven primarily by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we identify.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or if we decide that it would be more efficient, we may take a wholly substantive approach to our audit testing if, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required by UK auditing standards to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality'* section of this report.

Management's and our experts

Management makes use of experts in specific areas when preparing the Councill's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Defined benefit pension liability	Hymans Robertson Barnett Waddingham	We make use of PWC actuarial services who are commissioned by the NAO to review the national analysis of pension trends and assumptions of the various LGPS actuaries and consider the findings for potential impact on the values included within the financial statements
Property, plant and equipment valuations	Lambert Smith Hampton	For both sets of property valuations we will: • review the Montague Evans analysis of property valuation movements provided centrally by the NAO and consider the outcome of the Council's internal valuer's valuations in comparison with these, challenging conclusions as appropriate; and • where considered necessary, will complete further review and challenge using our own internal valuation expert.
Investment property valuations	Lambert Smith Hampton	

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Appendix A: Other communications

Audit scope and approach

Service organisations

ISAs define service organisations as third party organisations that provide services to the Council/Authority that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Item of account	Service organisation	Audit approach
Although the local government pension scheme is administered by the Council as legal guardian, the shared service team at the London Borough of Wandsworth carry out day-to-day administration of the Fund.	Wandsworth Borough Council	We will review and document the aspects of the core financial systems of the Council that are managed by LB Wandsworth and ensure the Council's key controls over these areas are in place and are operational. We will obtain an internal audit report in respect of the operation of systems by the service organisation to give us assurance over their operation of key controls. We will consider the findings of this review and the impact on the overall control environment.

Appendix A: Other communications

Responsibilities

We are appointed to perform the external audit of London Borough of Camden (the Council) for the year to 31 March 2026. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24](). Our responsibilities are 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), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Our audit does not relieve management or Audit and Corporate Governance Committee, as those charged with governance, of their responsibilities.

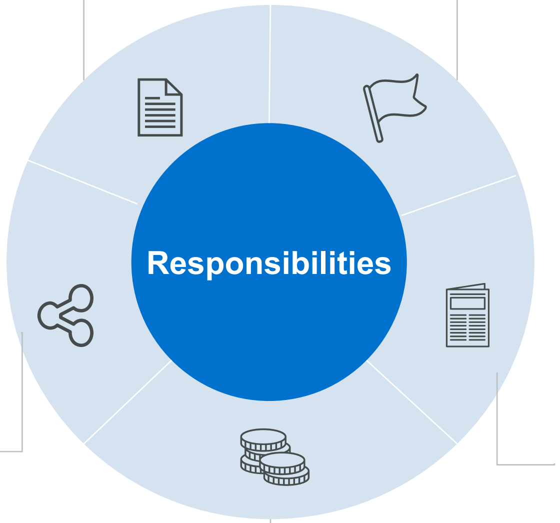
The Director of Finance (interim S151 Officer) is responsible for the assessment of London Borough of Camden's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

a) whether a material uncertainty related to going concern exists, and
b) the appropriateness of the Director of Finance (interim S151 Officer) use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of London Borough of Camden's internal control.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you, key management personnel and internal audit, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks.

In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

We also report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in the '*Value for Money*' section of this report.

Appendix A: Other communications

Required communications

This section of our report sets out the matters that we are required to report to you by UK auditing standards, including which form of our communications satisfy, or will satisfy, those requirements.

Required communication	Where addressed
Our responsibilities in relation to our audit of the company's financial statement and the responsibilities of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of our audit, including any limitations (specifically with respect to significant risks and key audit matters, if applicable).	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion, • The effect of uncorrected misstatements related to prior periods, • A request that any uncorrected misstatement is corrected, and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Inquiries with you to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the company, • Any fraud that we have identified or information we have obtained that indicates that fraud may exist, and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit and Corporate Governance Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)
Significant matters arising during our audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management, • Inappropriate authorisation and approval of transactions, • Disagreement over disclosures, • Non-compliance with laws and regulations, and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report

Appendix A: Other communications

Required communications

Required communication	Where addressed
Significant findings from our audit, including: • Our view about the significant qualitative aspects of accounting practices, including accounting policies, accounting estimates, and financial statement disclosures, • Significant difficulties, if any, encountered during our audit, • Significant matters, if any, arising from our audit that were discussed with management or were the subject of correspondence with management, • Written representations that we are seeking, • Expected modifications to our auditor's report, and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified during our audit that we believe are relevant to those charged with governance in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during our audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of you into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that you may be aware of.	Audit Completion Report and Audit and Corporate Governance Committee meeting(s)
With respect to going concern, events or conditions identified that may cast significant doubt on the company's ability to continue as a going concern, including: • Whether the event or condition constitutes a material uncertainty, • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements, and • The adequacy of related disclosures in the financial statements.	Audit Completion Report

Appendix A: Other communications

Required communications

Required communication	Where addressed
Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's system of quality management team completes, as part of an ongoing and iterative process, key steps to assess and conclude on our firm's system of quality management, including: • Ensuring there is an appropriate assignment of responsibilities, • Establishing and reviewing quality objectives each year, ensuring our firm's quality objectives align with our strategies and priorities, • Identifying, reviewing, and updating quality risks each quarter, taking into consideration multiple input sources (such as FRC/ ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.), • Identifying, designing, and implementing responses to strengthen our firm's internal control environment and overall quality, and • Evaluating our quality responses and remediating control gaps or deficiencies. We perform an evaluation of our system of quality management on an annual basis. We publish the details of our annual evaluation, and our conclusion, in our Transparency Report, which can be accessed on our website at: https://www.forvismazars.com/uk/en/who-we-are/corporate-publications/transparency-reports.	Audit Strategy Memorandum (the communication adjacent satisfies this requirement)
We are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include: • Significant delays in management providing information that we require to perform our audit. • An unnecessarily brief time within which to complete our audit. • Extensive and unexpected effort to obtain sufficient, appropriate audit evidence. • Unavailability of expected information. • Restrictions imposed on us by management. • Unwillingness by management to make or extend their assessment of the company's ability to continue as a going concern when requested. We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).	Audit Completion Report, discussion at Audit and Corporate Governance Committee meeting(s), and audit clearance meeting(s)

Appendix A: Other communications

Required communications

Required communication	Where addressed
An overview of the work to be performed at the components of the group and the nature of our involvement in the work to be performed by component auditors (applicable in the case of a group audit).	Audit Strategy Memorandum and Audit Completion Report
Instances where our review of the work of a component auditor gave rise to a concern about the quality of the component auditor’s work, and how we addressed that concern (applicable in the case of a group audit).	Audit Completion Report
Any limitations on the scope of our group audit; for example, significant matters related to restrictions on access to people or information (applicable in the case of a group audit).	Audit Strategy Memorandum and Audit Completion Report, as necessary
Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group’s system of internal control or others when the fraud resulted in a material misstatement of the group financial statements (applicable in the case of a group audit).	Audit Completion Report and discussion at Audit and Corporate Governance Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Other communications

Definitions

Term	Definition
Materiality	An expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements. We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to the company. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to you (reporting threshold). Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users. An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users: • Have a reasonable knowledge of business, economic activities, and accounts, • Have a willingness to study the information in the financial statements with reasonable diligence, • Understand that financial statements are prepared, presented, and audited to levels of materiality, • Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events, and • Will make reasonable economic decisions based on the information in the financial statements. We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks. We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage. The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

Appendix A: Other communications

Definitions

Term	Definition
Significant risk	A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by UK auditing standards), including management override of controls and revenue recognition.
Enhanced risk	An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to: • Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement, and • Risks relating to other assertions and arising from significant events or transactions that occurred during the period.
Standard risk	A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.
Key audit partner	(a) An individual who is eligible for appointment as a statutory auditor and who is designated by our firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of our firm. (b) In the case of a group audit, any of the following: (i) an individual who is eligible for appointment as a statutory auditor and who is designated by our firm as being primarily responsible for carrying out the statutory audit of the consolidated accounts of the group on behalf of our firm; (ii) an individual who is eligible to conduct the audit of the accounts of any subsidiary undertaking determined by us to be a 'material subsidiary' and who is designated as being primarily responsible for that audit. (c) An individual who is eligible for an appointment as a statutory auditor and who signs the audit report.

Appendix B: 2024-25 Audit lesson learned and roadmap for 2025–26

What went well

Area	Comment
High quality supporting working papers	The Council's working papers to support the accounts were well prepared, with clear navigation guides and detailed explanations. This significantly reduced the number of clarification queries.
Strong attitude and engagement	The finance team demonstrated a positive and proactive approach throughout the audit. They were committed to meeting timelines and supporting the overall objective of rebuilding assurance.
Timely turnaround of audit requests	Most audit queries were responded to promptly, especially once samples were issued. Where delays occurred, the reasons were clearly understood and communicated — for example, challenges in obtaining bank statement evidence due to system constraints.
Effective use of audit tracker	The teams made good use of the query log and audit tracker, which helped efficiently manage the audit workflow and maintain oversight of progress.
Constructive handling of technical reviews	There was noticeable improvement in flexibility when addressing technical review points, particularly for straightforward changes such as wording updates for clarity. The finance team also used CIPFA and other authoritative sources to support their positions, which facilitated objective discussions and quicker agreement.
Well resourced and collaborative team	The finance team was well staffed, hands on, and proactive in ensuring we connected with the right people to resolve queries efficiently.
Effective use of in-person office days	In-person office days were useful for resolving more complex issues, and continuing with one day per week working in the Council's office will help maintain this benefit.

Appendix B: 2024-25 Audit lesson learned and roadmap for 2025–26

Looking Forward to 2025-26

Area for Improvement		Impact	Going Forward
	Project management of the audit of valuations of property, plant and equipment	The valuations of property, plant and equipment is a significant audit risk and requires significant input from the audit team, the auditor's expert (the Forvis Mazars Real Estates Team), the finance team and the Council's external valuer. Stronger project management will lead to a more efficient and timely audit process.	The audit team agreed to facilitate an early meeting with the auditor's expert the Council's external valuer and the finance team to discuss the Council's valuation approach **[DONE]** The audit team will also apply more rigorous project management to the audit of valuations.
	Requesting bank confirmations	Early requests for bank confirmations will avoid delays caused by slow receipt of the confirmations.	The audit team will request bank confirmations in advance of April 2026 to have them ready for testing in the summer **[DONE]**
	Communications and escalations	Clarity of audit areas and their timing will enable the finance team to plan their resources and respond to the audit effectively. An agreed escalation protocol will ensure senior Council officers and senior audit team members can resolve issues before they become problems.	The audit team will agree with the finance team a detailed plan of the audit areas and their timing. They will also agree a protocol for audit query turnaround times and escalating when these times are not met.

Appendix C: Current year updates, forthcoming accounting & other issues

HM Treasury changes to non-investment asset valuation

Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the "Code")

Following a thematic review of non-current asset valuations for financial reporting in the public sector, HM Treasury has made a number of changes to its requirements for the valuation frequency, valuation methodology and classification of non-investment property assets. The changes are effective from 1 April 2025 as set out in the 2025-26 Code and include:

- A change to the requirements regarding revaluation frequency. Rather than adhering to paragraph 34 of IAS 16 which requires an asset to be revalued whenever its carrying value differs materially from its current value, entities will be required to revalue assets on a quinquennial basis, i.e. every five years, supplemented by annual indexation in the intervening years. This requirement can be adhered to either as part of a full revaluation or as part of a rolling programme. The Code requires bodies to use the best index available to them. Should management determine that there is no appropriate index to use, then the quinquennial valuation is supplemented by a valuation in the third year.

- Revaluations carried out prior to 2025/26, in line with former requirements of the Code, remain valid throughout the transition period (being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.

- The requirement to consider indicators of impairment under IAS 36 remains, so management will still be required to undertake an annual assessment of whether there are indicators of impairment, and where these are present, it may be necessary to undertake valuations outside of the 5-yearly valuation programme.

Whilst management will no longer need to consider annually whether it is necessary to revalue non-investment assets, they will need to be satisfied that they have appointed a suitably qualified valuer to undertake the valuation of assets whenever they fall due either as part of a full valuation or a rolling programme. If local indices are used, management will need to have sufficient evidence to demonstrate these indices are appropriate and relevant to the entity's circumstances, and to provide this evidence to the auditor.

Appendix C: Current year updates, forthcoming accounting & other issues

Effective for accounting periods beginning on or after 1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements

The standard was UK-adopted in December 2025, and the date of incorporation into the Code is not confirmed, though expected to be within the 2028/29 financial year. It is not yet confirmed what interpretations and adaptations HMT will determine are necessary for implementation in the public sector. We have provided an outline of the main changes arising from IFRS 18 as unadapted and without interpretation and will provide an update on the expected impact on London Borough of Camden as and when detail is available as to when and how the standard is incorporated into the Code.

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements.

New categories and subtotals for inclusion within the statement of profit or loss

- Income and expenses are to be classified into three new defined categories: operating, investing and financing, in addition to the income taxes and discontinued operations categories.
- All companies are to present new defined subtotals – operating profit and loss, and profit or loss before financing and income taxes.

New reporting requirements on Management Performance Measures (MPMs)

- New requirements are introduced for management-defined performance measures (MPMs), which may also be called Alternative Performance Measures (APMs). These are described as subtotals of income and expenses that an entity: (a) uses in public communications outside financial statements; (b) uses to communicate to users of financial statements management's view of an aspect of the financial performance; and (c) are not listed within IFRS 18 or specifically required to be presented or disclosed by another IFRS Accounting Standard.
- All MPMs are required to be disclosed in a single note in the financial statements setting out:
  - an explanation of why the MPM is reported, and
  - a reconciliation to a directly comparable GAAP measure within IFRS 18 or another IFRS Accounting Standard.

Enhanced requirements for aggregation & disaggregating information

- Enhanced requirements are set out for the aggregation and disaggregation of items based on similar and dissimilar characteristics. Items that have dissimilar characteristics must be disaggregated when the resulting information is material. Guidance is also included on how to describe items within the financial statements, requiring an entity to label items presented or disclosed as 'other' only if a more informative label cannot be found.
- New guidance is provided on whether information should be reported in the primary financial statements or the notes. This includes guidance on presentation and disclosure of expenses classified in the operating category, alongside introducing more prescribed requirements for an entity that classifies expenses by function as well as the requirement to disclose expenses by nature in a single note for certain amounts - depreciation, amortisation, employee benefits, impairment and write-downs of inventories

Many principles and requirements have been brought forward from IAS 1 to IFRS 18 such as frequency of reporting, comparative information, offsetting, capital disclosures and the requirements for the statement of financial position and for the statement of changes in equity.

forv/s mazars

Contact

Forvis Mazars

Suresh Patel
Partner
Tel: +44 (0)797 726 1873
Suresh.Patel@mazars.co.uk

Rajesh Arora
Senior Manager
Tel: +44 (0)798 972 3814
Rajesh.Arora@mazars.co.uk

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