

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: 2020-21 Statement of Accounts and External Audit report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Audit and Corporate Governance Committee	DATE: 21 September 2023
<p>SUMMARY OF REPORT: This report presents to the Audit and Corporate Governance Committee the draft Audit Completion Reports from Mazars on the 2020/21 Statement of Accounts, together with the audited 2020/21 Statement.</p> <p>LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION No documents that require listing have been used in the preparation of this report.</p> <p>CONTACT OFFICER: Peter Taylor Financial Reporting Manager 5 Pancras Square London N1C 4AG Telephone: 020 7974 6378 peter.taylor@camden.gov.uk</p>	
<p>RECOMMENDATIONS</p> <p>The Committee is asked to:</p> <ol style="list-style-type: none"> 1) Note the External Auditor's reports for the 2020/21 statement of accounts at Appendices A and B. 2) Approve the amended 2020/21 Statement of Accounts at Appendix C. 3) Authorise the Executive Director Corporate Services, in consultation with the Chair of the Audit and Corporate Governance Committee, to approve any remaining amendments to the Statement of Accounts as the auditors complete the final outstanding matters as listed in Appendices A and B. 4) Note that officers will report back on any such amendments made at the following Audit and Corporate Governance Committee meeting for the Committee's information. 5) Authorise the Chair of Audit and Corporate Governance Committee to sign the 2020/21 Statement of Accounts. 	

6) Note the draft Letter of Representation as set out in paragraph 4.4 and included in the Audit Completion Reports.

SIGNED: Approved by Director of Finance

DATE: 11 September 2023

1. Purpose of Report

- 1.1. This report presents to the Committee the draft Audit Completion Reports from Mazars for the 2020/21 financial accounts, for both the Council and Pension Fund, and the amended audited Statement of Accounts for the Committee's approval.

2. Background

- 2.1. Camden have experienced delays with the audit of accounts since the publication of the draft 2019/20 accounts on 31 May 2020. The issues within financial reporting and the local audit sector have been reported and discussed by the Committee at numerous previous meetings during that time, and the Committee will receive a further update under a separate agenda item at this meeting.
- 2.2. The issues identified during the audit of the 2019/20 accounts led to a number of changes to the accounts, and as a result the production of a set of draft 2020/21 accounts was not feasible until the 2019/20 audit was substantially complete. Draft accounts for 2020/21 were published and presented to audit on 30 September 2022.
- 2.3. The finalisation of Camden's 2019/20 audit, and any open audits across England, was further complicated in 2022 by the issue of valuing and reporting local authority infrastructure assets. This required changes to the CIPFA¹ Code of Practice as well as a statutory override to accounting regulations from DLUHC² to be issued in December 2022. As a result of this, changes were required to both Camden's 2019/20 and 2020/21 accounts.
- 2.4. The audit plan aimed at the outset to have the 2020/21 audit completed by the end of December 2022, with the audit team resourced accordingly. As the infrastructure reporting issue persisted and the 2019/20 audit remained open, it was not possible to conclude the audit during this time. At the same time, as a result of audit testing, the Council also had to provide Mazars with additional supporting information on the Council's 2020/21 debtors and creditors.
- 2.5. During 2023 Mazars have had to manage the extended resourcing requirement for Camden alongside other client commitments, but are now at the final stages of completing the audit. The draft Audit Completion Reports for the Council and the Pension Fund accounts are presented in **Appendices A and B** respectively.

3. Outcome of the External Audit

- 3.1. Mazars expect to issue an **unqualified opinion without modification** on the financial statements of both the Council and the Pension Fund. This means that the financial statements present the financial position fairly in all material

¹ the Chartered Institute of Public Finance and Accountancy

² the Department for Levelling Up, Housing and Communities

respects. In the draft audit reports the anticipated opinion states that the accounts give a true and fair view of the financial position of both the Council and Pension Fund and were properly prepared in accordance with the CIPFA Code of Practice.

- 3.2. The status of the audit indicates that while their internal review process is still to conclude there are a number of audit areas still open. Although none of these are likely to result in material adjustment or significant change to disclosures, and no adjustments are expected, it should be noted that until all processes are complete there is the possibility that additional disclosures or amendments are required. As a result it is recommended that the Executive Director Corporate Services be authorised to make any final minor adjustments to the accounts needed, in consultation with the Chair of the Committee. These will be reported back to the Committee.
- 3.3. In their Significant Findings Mazars have found no management override of controls. We have been in discussion with Mazars over the processing of journals (the inputting of financial transactions on the ledger system) where there hadn't been segregation of duty between creator and approver, and this has been responded to in the Internal Control Issues.
- 3.4. Whilst the process of valuing, and accuracy of reporting Property, Plant and Equipment (PPE) has improved significantly from the point of issuing draft 2019/20 accounts there were two properties whose treatment required an adjustment to the accounts. Mazars have reported that the issues noted in 2019/20 have largely been addressed by management for 2020/21.
- 3.5. Mazars have also previously reported difficulties with sampling and supporting debtor and creditor balances in 2020/21. Camden have been able to provide listings from its accounts payable and accounts receivable systems, however for other debtor and creditor balances officers have relied on cumulative in-year ledger transactions to support year end balances. In order to support the process of providing simplified listings for year end debtors and creditors further work has been undertaken in reviewing the balance sheet for the 2021/22 accounts, which are currently being drafted.
- 3.6. There were no significant difficulties reported from the audit of the Pension Fund.
- 3.7. In the Value for Money (VFM) findings in 2019/20 Mazars concluded that the Council had proper arrangements in place to ensure it took properly informed decisions, with the exception of supporting timely and accurate financial reporting at year end.
- 3.8. In 2020/21 the requirement from audit is changed with regards to reporting on VFM, in that they are no longer required to provide a finding but instead will prepare a commentary on VFM arrangements within their Auditor's Annual Report. This has not yet been completed but Mazars have indicated that they may again report the same issue of timeliness and accuracy of financial

reporting as a weakness in this report. This stems from the time taken to produce audited accounts and the adjustments required during the audit.

- 3.9. Officers acknowledged the 'except for' qualification given in this area in 2019/20 and have already put plans in place to address the backlog in financial reporting, although it will take time to get back in line with the statutory reporting timeframe.

4. Statement of Accounts process and next steps

- 4.1. The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each year which meet set requirements, and include the Council's main accounting statements, the Housing Revenue Account (HRA), Collection Fund; and any other statements which the Council is required by statutory provision to keep a separate account for (such as the Pension Fund).
- 4.2. The Accounts and Audit Regulations 2015 require the council to follow a set accounts approval process, as detailed below.
- i) The responsible financial officer (Section 151 officer) certifies that the draft statement of accounts presents a true and fair view of the financial position of the Council and of its income and expenditure. The Executive Director Corporate Services, as the Council's Section 151 officer, certified the draft 2020/21 accounts when they were published on 30 September 2022.
 - ii) Following the review of the external auditor, and any amendments that are required to the statement of accounts as a result, the responsible financial officer recertifies the presentation of the annual accounts before member approval is given.
 - iii) The annual accounts are considered and approved by resolution of members and the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given. As the audit is still going through final review, it is recommended that the Executive Director Corporate Services be authorised to make any final minor adjustments to the accounts needed in consultation with the Chair of the Committee. These will be reported back to the Committee.
 - iv) The signed statement of accounts are presented back to the auditor together with the Annual Governance Statement and a signed letter of representation from the Section 151 officer to complete the audit closure and issue the audit certificate.
 - v) The accounts are published (which must include publication on the body's website) together with any certificate, opinion, or report issued, given or made by the audit.
- 4.3. The 2020/21 Statement of Accounts attached at **Appendix C** have been updated to incorporate all amendments required from the audit. The accounts

are presented for the Committee's approval, and subsequently for the Chair of the Committee to sign.

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

5. Finance Comments of the Executive Director Corporate Services

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

6. Legal Comments of the Borough Solicitor

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

7. Environmental Implications

- 7.1. There are no environmental implications.

8. Appendices

Appendix A: Audit Completion Report - London Borough of Camden 2020/21

Appendix B: Audit Completion Report - Camden Pension Fund 2020/21

Appendix C: Audited Statement of Accounts 2020/21

REPORT ENDS