

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: 2021-22 Statement of Accounts and Audit Completion reports	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Audit and Corporate Governance Committee	DATE: 26 September 2024
<p>SUMMARY OF REPORT: This report presents to the Audit and Corporate Governance Committee the draft Audit Completion Reports from Mazars on the 2021/22 Statement of Accounts, together with the audited 2021/22 Statement for approval.</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 OFFICERS: 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 2021/22 statement of accounts at Appendices A and B. 2) Approve the amended 2021/22 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 2021/22 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: **Agreed by Director of Finance**

DATE: **16 September 2024**

1. Purpose of Report

- 1.1. This report presents to the Committee the draft Audit Completion Reports from Mazars for the 2021/22 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, like many local authorities, have experienced significant delays with the audit of accounts over the past 4 years. The widely documented backlog in financial reporting across Local Government has impacted councils across the country.
- 2.2. Camden's external auditors Mazars completed the audits of the 2019/20 and 2020/21 accounts in March 2024, with the completion letters for both years, for both the Council and Pension Fund presented to Committee at its meeting on 4 April 2024.
- 2.3. Immediately following the conclusion of prior years, Camden published its draft accounts for 2021/22 on 8 April 2024, entering its statutory Period of Public Inspection as required by law, which closed without receiving any requests for inspection. At the same time the accounts were presented to Mazars to commence work on the audit.
- 2.4. The audit for 2021/22 has taken place in two stages, firstly walkthrough testing and sample selection took place in April and May, with Mazars returning to the audit from July to conduct all audit testing and remaining audit work, with the audit planned to be completed by the previously proposed 30 September backstop deadline.
- 2.5. Prior to the audit commencing Camden and Mazars agreed ways of working with principals for collaborative engagement to achieve agreed deliverables. Officers and auditors have worked well together and built on the relationship from the previous audits.
- 2.6. Mazars 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.
- 2.7. Following recommendations from the 2020/21 audits, Camden have significantly increased capacity in the Financial Reporting team. Both to manage the simultaneous requirements of the 2021/22 audit and the 2022/23 accounts preparation and to ensure the team is well positioned to respond to meet the revised proposals for backstop dates in relation to outstanding local audits, which have now been laid before Parliament.
- 2.8. This includes the creation of a new Chief Accountant post along with several other technical financial reporting roles, plus ongoing specialist interim resource to help with the preparation of accounts and in responding to queries as part of

the audit process. On top of this, significant emphasis has been placed on future proofing the function with specific tailored training and support and investment to further streamline our systems and processes. Much of this change has also been driven by our response to audit and control recommendations that have arisen in prior years. This extra time and emphasis in procedures and quality of working papers has already begun to bring benefits as evidenced by the 2021/22 Draft Audit Completion Report (Appendix A & B). For e.g. the committee will note the reduction in the number of audit adjustments required to the draft accounts compared to previous years.

- 2.9. These initial steps will be crucial in successfully navigating the immediate issue of the backlogs but will also set the Council up to respond positively to necessary longer-term solution to the wider, broken local audit system which will need major overhaul and reform and will only be successful with equal and matching contributions from the key system players such as External Audit Firms, CIPFA, PSAA (Public Sector Auditor Appointments), NAO (National Audit Office), FRC (Financial Reporting Council) and MHCLG (Ministry of Housing, Communities and Local Government), who all have important roles to play.

3. Outcome of the External Audit

- 3.1. Mazars have issued draft audit completion reports for the London Borough of Camden and Camden Pension Fund accounts. At the time of writing the audit is progressing as planned, with fieldwork expected to conclude in September and internal reviews completed by October 2024. Most of the pension fund audit field work is complete, with internal review processes underway.
- 3.2. Both draft audit completion reports have stated that Mazars expect to issue an **unqualified opinion without modification** on the 2021/22 financial statements of both the Council and the Pension Fund. This means that the financial statements present the financial position fairly in all material 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.
- 3.3. 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 no further adjustments to the Statement of Accounts are expected, it should be noted that until all audit 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.
- 3.4. There has been one misstatement identified that has required adjustment, from correction of the valuation of the Liddell Road site, an investment property which was being developed at the time of valuation. In addition there have been a number of minor disclosure amendments as listed.

- 3.5. In their significant findings Mazars have found no management override of controls. We have been in discussion with Mazars since the 2020/21 audit 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. System controls have been put in place since 2023 but due to the delays in reporting this finding remains in place for the 2021/22 year.
- 3.6. Mazars report that the significant findings on valuation of Property Plant and Equipment (PPE) and Investment Properties from prior years have substantially been addressed, with no significant findings for 2021/22. They also report improvements in the availability of system reports and the quality of working papers, with the draft accounts being of good quality.
- 3.7. Within the Internal Control Recommendations Mazars also report on the status of all issues raised in 2019/20 or 2020/21. While the journal processing and rent review items remain open for the 2021/22 year the majority of items have been addressed and closed, evidencing the progress that has been made.

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 2021/22 accounts when they were published on 8 April 2024.
 - 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 required to then be 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 2021/22 Statement of Accounts presented in **Appendix C** have been updated to incorporate all amendments identified from the audit to date. 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 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: Draft Audit Completion Report - London Borough of Camden 2021/22

Appendix B: Draft Audit Completion Report - Camden Pension Fund 2021/22

Appendix C: Audited Statement of Accounts 2021/22

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