



Audit Completion Report

London Borough of Camden – year ended 31 March 2022

September 2024

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

30 Old Bailey London EC4M 7AU

Dear Committee Members,

13 September 2024

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 08 November 2023.

We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

At the date of this report, we are working collaboratively with the Council to complete the audit of the accounts for the year ending 31 March 2022. We aim to complete the pending audit field work and our VFM work by the end of the September 2024 and will include a VFM commentary in the Auditor's Annual Report.

We would like to express our thanks for the assistance of your team during our audit. If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 07387 242052.

Yours faithfully



Suresh Patel

Forvis Mazars LLP

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01

Executive Summary

Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Valuation of Property, plant and equipment & investment property;
- Management override of controls; and
- Net defined benefit liability valuation.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations which includes our follow up of the 8 prior year recommendations. Due to the protracted nature of the prior year accounts audit the Council was unable to implement all recommendations and 4 of our previous recommendations remain in place for 2021-22. At this stage of the audit, we have identified one misstatement to the numbers in the accounts, which has been adjusted by the management and we have shown this as an adjusted misstatement in Section 6. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

Our audit field work in respect of the financial statements for the year ended 31 March 2022 is in progress as per the timetable we agreed with the Council, and we are on track to complete our fieldwork by the end of September 2024 and internal review processes in October 2024.

At the time of preparing this report, matters remaining outstanding as outlined in section 2. We will

provide an update on the significant matters outstanding in a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

Our work in respect of the Council's VFM arrangements is still in progress. At the time of preparing this report we anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

The NAO have confirmed that they do not require any further work or submissions from component auditors on WGA returns for 2021-22 and this work has therefore been completed.



Wider Powers


















The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any questions or objections in respect of the 2021/22 statement of accounts.

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Status of the audit

Status of our audit

Our audit work is in progress as per the timetable we agreed with the Council, and we are on track to complete our fieldwork by the end of September 2024 and internal review processes in October 2024. Subject to the outstanding matters detailed below there are currently no matters of which we are aware that would require modification of our audit opinion.

Audit area	Status	Description of the outstanding matters	Status
Fraud and related parties		Work complete and subject to internal review.	
Movement in Reserves Statement (MiRS) / Usable and Unusable Reserves		Work in progress. By the nature of the MIRS can only be completed when work on all other areas is complete.	 Likely to result in a material adjustment or a significant change to disclosures in the financial statements.
CIES – Income		Work in progress. We are awaiting the Council's response on our queries on income samples (5 queries).	 Potential to result in a material adjustment or a significant change to disclosures in the financial statements.
CIES – Expenditure		Our documentation of the audit work that we have performed is in progress.	
CIES – Payroll		We are waiting for the Council's response to 1 query.	 Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.
Cash Flow Statement		Work complete and subject to internal review.	
Investment properties		Work complete and subject to internal review.	
Property, plant and equipment		Work in progress. We are discussing with the Council an issue relating to the valuation of schools and assets not selected for the rolling valuation during 2021-22.	 Work on value for money arrangements
Investments		Work in progress. We are waiting for two external confirmations from third parties.	
Debtors		Work in progress. We are awaiting the Council's response on 1 audit query relating to sampled debtors selected for testing, as well as responses to audit challenges on the reasonableness of the impairment allowance.	
Cash		Work complete and subject to internal review.	
Loans and borrowings		Work complete and subject to internal review.	
Creditors and Long term creditors		Our documentation of the audit work that we have performed is in progress, we are currently awaiting council's response on 4 audit queries relating to sampled creditors selected for testing.	

Status of our audit

Audit area	Status	Description of the outstanding matters	Status
Leases and PFI		Work complete and subject to internal review.	
Pensions		Work complete and subject to internal review.	
Financial instruments		Work complete and subject to internal review.	
Housing Revenue Account and Collection Fund		Work in progress. We are awaiting the Council's response on our queries relating to the HRA and Collection Fund samples (6 queries).	 Likely to result in a material adjustment or a significant change to disclosures in the financial statements.
Provisions and other areas		Work complete and subject to internal review.	
Technical review of financial statements		We will review the final updated version of the financial statements when provided by the Council.	 Potential to result in a material adjustment or a significant change to disclosures in the financial statements.
Value for Money (VfM)		Our work on the Council's value for money arrangements is in progress.	 Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.
Signed final statements, Annual Governance Statements and signed Management Representation Letter		When we receive the signed version of the accounts and letter of representation, we will complete a final review of the financial statements to confirm they are consistent with our expectation based on our work during the course of the audit.	 Work on value for money arrangements
Final review and completion procedures		We are required to complete our final review and completion procedures including our review of the audit file by the Engagement Partner and Engagement Quality Reviewer.	
Events after the reporting period		We are required to review events occurring after the reporting period up until the date on which the audit report is signed.	
File closure procedures		Once we are satisfied with the final version of the financial statements and upon receipt of management's letter of representation, we will complete our standard file closure procedures.	

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Audit Approach

Audit Approach

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 25 October 2023.

Materiality

Our provisional materiality at the planning stage of the audit was set at £23.7m using a benchmark of 2% of gross revenue expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

Reliance on internal audit

We have not placed any reliance on the work performed by the Authority's internal audit function. We have reviewed the functions work programme for the year and used this to inform and confirm our own risk assessment.

Use of experts

Item of account	Management's expert	Our expert
Defined benefit pension liability valuation and disclosures	Hymans Robertson Barnet Waddingham	PwC : The NAO have appointed PwC to review the qualifications, resources, objectivity and approach of each of the actuaries involved in the production of IAS19 figures for Local Government Pension Schemes (LGPS). The assessment also looks at the approach taken by each actuary and considers the main assumptions used by each in order to value the schemes underlying assets and liabilities. We rely on the work of PwC to identify any further procedures that may be required with respect to defined benefit pension liabilities.

Item of account	Management's expert	Our expert
Property valuations: operational land & buildings owned by the Council and investment properties	Lambert Smith Hampton	Montague Evans: The NAO appoint Montague Evans to help inform auditors consideration of the movements in the values of property. Their valuation trends report provides an analysis of movements on certain valuation indices relevant to the consideration of different classification of land and buildings. We use the work of this expert to inform our expectations when auditing property valuations. Mazars Valuation team: To support the audit of PPE and Investment Properties valuations.
Financial Instrument disclosures	Link Asset Services	No expert required

Significant findings

Significant findings

Significant findings, including key areas of management judgement

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 19 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit;

Significant Risks

Management override of controls Description of the risk

In all entities, 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 consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

Audit findings

We outline our approach and findings on the next two pages.

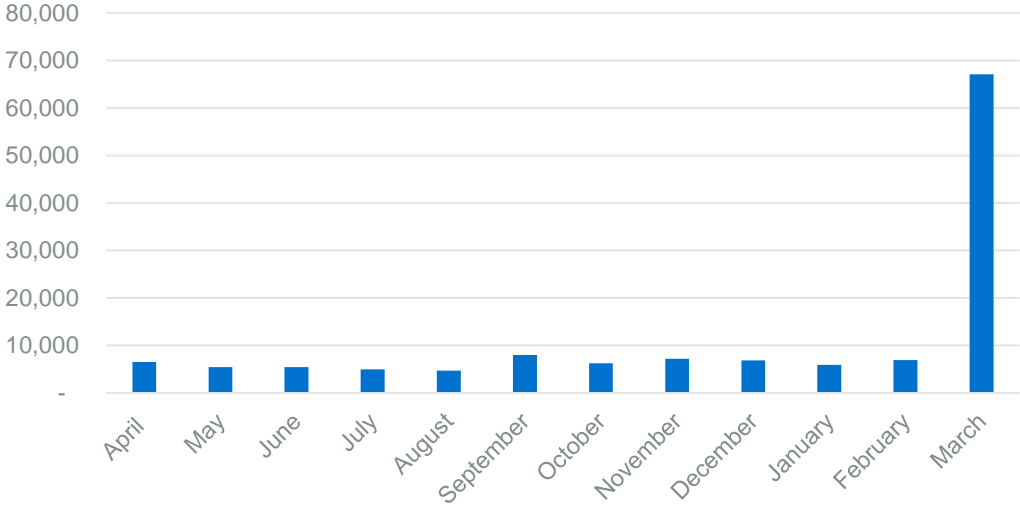
4. Significant findings

Management override of controls - analysis of work performed

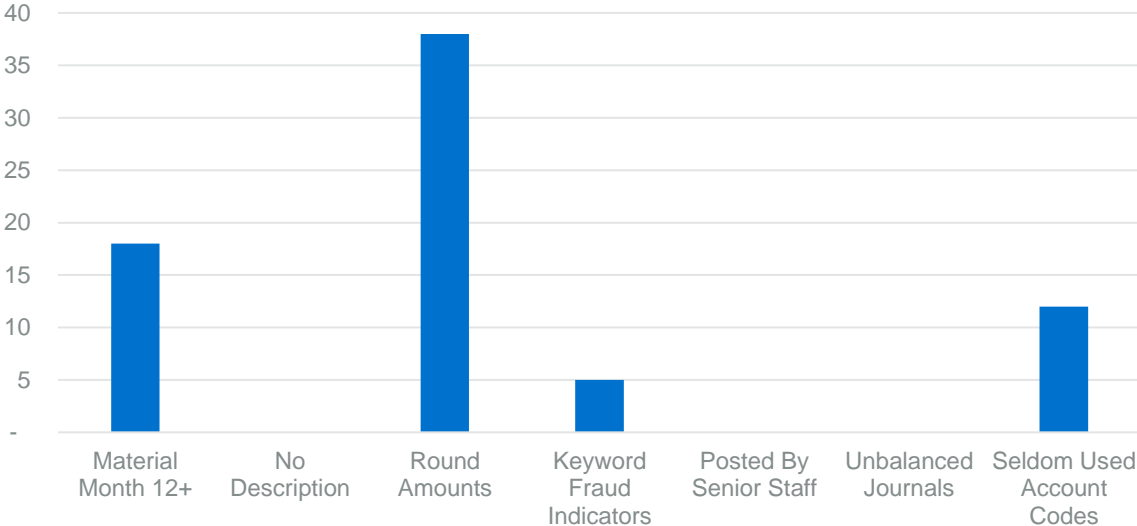
To address the risk of fraud due to management override of controls, we reviewed the journal entries which were manually prepared by the Council's staff. The first graph below shows a breakdown of the number of manual journal lines that were posted during each month of the financial year, with 135,272 lines being posted in total across the year. The spike in March is within our expectations as this is when many year-end adjustments related to the preparation of the financial statements are posted.

We selected a series of criteria to identify the journals with the highest potential risk of fraud due to management override of controls. The second graph below outlines the number of journal entries which were identified for each of these criteria. The most common risk criterion identified was journals with round amounts, with 38 out of the 73 identified (52%) being flagged against this risk factor. However, the 73 total journals identified represented a very small proportion (0.000054%) of the total manual journals posted. Following our audit work on these journals, we have kept open the internal control deficiency raised during the previous year's audit (see Section 5).

Number Of Manual Journal Entries Per Month



Number Of Journal Entries Identified Per Risk Factor



Significant findings

Significant Risks

Management override of controls

Audit conclusion

During our audit work on journals, we noted that certain journals were created and approved by the same employee. We have raised an internal control recommendation on this, please refer Section 5 for detailed observation. Apart from this, there were no significant findings to report as a result of our work on testing management estimates, transactions outside the normal course of business and journals made in preparation of the financial statements.

The work is completed and subject to final review.

Significant findings

Valuation of Property, Plant and Equipment (PPE)

Description of the risk

The CIPFA Code requires that the carrying value of PPE should reflect the appropriate current value as at the year end. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five-year cycle and may result in individual assets not being revalued for four years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end fair value.

In respect of Council dwellings, these are reviewed using a beacon valuation methodology, which values Council stock by grouping assets into type and using a nominated beacon asset for each group. The assessed value is uplifted based on an open market assessment then amended for an adjustment factor provided by government.

The Council is required to revalue its investment properties annually.

Due to the high degree of estimation uncertainty associated with valuations and the fact that there were significant findings in the prior year we have determined there is a significant risk in this area.

How we addressed this risk

We are addressing this risk by reviewing the approach adopted by the Council to assess the risk that assets not subject to valuation at year end are not materially misstated and consider the robustness of that approach. We have also assessed the risk of the valuation changing materially in year, considering the movement in market indices between revaluation dates and the year end, in order to determine whether these indicate that current values have moved materially.

In addition, for those assets which have been revalued during the year we have:

- assessed the valuer's qualifications;
- assessed the valuer's objectivity and independence;
- reviewed the methodology used; and
- performed testing of the associated underlying data and assumptions.

We have also followed up on recommendations made during the 2020/21 audit regarding PPE valuations.

Audit conclusion

The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five-year cycle. We liaised with the Council and the external valuer and have substantially completed our audit procedures. We are discussing two issues and the potential impact on the accounts with the Council:

- Value of assets not selected for revaluation in 2021-22 under the rolling revaluation cycle.
- Valuation of schools and the basis of valuation adopted.

We will provide a verbal update to the Committee and report our finding and conclusion in an Audit Completion Follow-Up letter.

The Council has substantially addressed the issues that we raised and recommendations we made in the prior year audit.

Significant findings

Investment Property Valuation

Description of the risk

The CIPFA Code requires that the carrying value of investment properties should reflect fair value. For the Council's £152 million of investment properties this is using fair value. Due to the high degree of estimation uncertainty associated with market valuations and the issues we reported in the prior year, we have determined there is a significant risk in this area.

How we addressed this risk

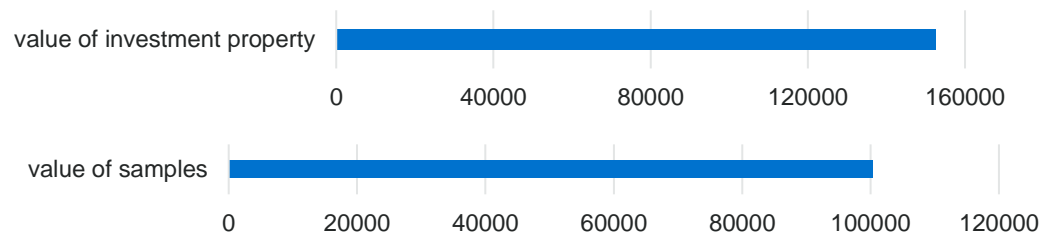
We reviewed the Council's approach to revaluing its investment property portfolio as at 31 March 2022. For a sample of those assets which had been revalued during the year we engaged our own expert to :

- assess the valuer's qualifications;
- assess the valuer's objectivity and independence;
- review the methodology used; and
- perform testing of the associated underlying data and assumptions.

We also followed up the recommendations made during the 2020/21 audit regarding investment property valuations.

Analysis of work performed

Our sample sizes have been selected in line with our firm standard methodology for testing at a significant risk level (23 samples selected). The figure below details these in relation to the total population. The samples selected provides approximately 66% coverage of the total population.



Audit conclusion

We have completed our audit work, and it is subject to internal review.

There have been no significant findings arising.

Significant findings

Defined benefit liability valuation

Description of the risk

The latest triennial valuation of the Pension Fund which the Council has disclosed in its statements were completed at 31 March 2019. As an admitted body within each fund, the valuation also provides the basis of the associated net pension liability for the Council as at 31 March 2022.

The valuation of the Council's net liabilities (£580m as at 31 March 2022) includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council's employees and other appropriate data. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.

How we addressed this risk

We will address this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary by the fund administrators, the London Borough of Camden Pension Fund and in respect of the LPFA.

We will also:

- assess the skill, competence and experience of the Fund's actuary;
- challenge the reasonableness of the assumptions used by the actuary as part of the Technical Actuarial Standards ; and
- carry out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.

Audit conclusion

Completion of our work in this area is subject to obtaining and assessing the assurances from the auditor of the Camden Pension Fund. We have completed our audit work, and it is subject to internal review. We will update the Committee at the meeting.

Significant findings

Other key areas of management judgement/enhanced risks

Accounts payable and receivables listings

Description of the management judgement

For 2019/20 and 2020/21 the Council struggled to provide accurate and complete listings to support the year end accounts payable and receivables reported in the financial statements. In both years, the Council had to carry out further work to establish the appropriate supporting transactions lists.

If the Council is unable to prepare accurate and complete transaction listings to support its year end accounts payables and receivables, there is a risk of misstatement in the financial statements.

How our audit addressed this area of management judgement

- We are seeking assurances from the Council that they have addressed the control recommendations we reported as part of the 2019/20 and 2020/21 audit in respect of supporting listings of payables (creditors) and receivables (debtors).
- We are reviewing the year end supporting listings for selection of samples.
- We are performing substantive testing on the debtors and creditors balance as at the year end.

Audit conclusion

Work in progress. We will provide a verbal update to the Committee and report our finding and conclusion in an Audit Completion Follow-Up letter.

Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 appropriately tailored to the Council's circumstances.

We are pleased to report improvements in the Council's financial closure and accounts preparation process, including an improvement in the availability of system reports and the quality of supporting working papers. We received draft accounts on 8 April 2024 and were of a good quality. The Council shared their supporting working papers promptly. The Council's finance team has been responding to audit queries quickly and effectively.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- The actions taken by the Council to address internal control issues reported in our Audit Completion Report of 2021-22;
- The national issue in relation to accounting for infrastructure which has impacted every local authority with material infrastructure balances in the previous year. The Council's approach on the accounting of these assets during 2021-22.

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties, and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;

- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

05

Internal control conclusions

Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to communicate to Audit and Corporate Governance Committee any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered Council's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all

deficiencies that may exist or improvements that could be made.

The deficiencies Council's internal controls that we have identified as at the date of this report are in set out on the following pages.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of Audit and Corporate Governance Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

5. Internal control recommendations

Deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management.

No regular reviews of Oracle user access rights

Description of deficiency

The Council does not conduct periodic reviews of access rights for all non-standard Oracle users. Although the client has started undertaking periodic reviews for certain classes of non-standard Oracle users, e.g. users assigned with payroll roles, there is no such review for all non-standard users and no review is done for users assigned with finance roles.

Potential effects

The Oracle system may be accessed inappropriately or fraudulently. Unintentional or fraudulent data alteration or entry may occur.

Recommendation

Council should implement a formal policy and process which allows for periodic reviews of the access rights of all users with non-standard access to Oracle.

Management response

We accept the recommendation and will implement a formal policy for system access reviews for all non-standard users. We have carried out ad hoc reviews of standard and non-standard users in 2022, the risk of the Oracle system being accessed inappropriately and fraudulently is low but will look to introduce a formal policy for 2025/26.

5. Internal control recommendations

Follow up on previous internal control points

Journals approval (2020-21)

Description of deficiency

During our journal testing, we identified an issue of segregation duties in the Oracle system where it allowed the creator of journals to self-approve and post the Journal as well. We could identify 18 such self-approved journals and we were explained by the management these were year-end financial closure journals where rights were given to staff members to pass the rectification journals to fix the errors identified during the closure and this right has since been revoked.

The Council's finance team were able to evidence that for 12 of 18 journals a compensating control was put in place to ensure that the journal was reviewed after the event. For the remaining 6 journals management could not evidence the segregation of duties. However, we tested these 6 journals substantively and confirmed that they were reasonable journals and there was no indication of any management override of controls.

Potential effects

Absence of segregation of duties between posting and approving journals increases the risk of management override of control and fraud.

Recommendation

The Council should consider removing the functionality of self-creating, approving and posting journals.

Management response

Oracle has a control feature that prevents submitters of journals from also approving, and this has now been turned on to prevent self-authorisation.

Status of implementation 2021-22 – Recommendation remains open

The impact of the protracted prior year accounts audits and multiple open accounting years on the Council's ability to implement the above recommendation and the similar observation was noted during the audit of 2021/22.

Management have stated that the recommendation will be addressed for the 2022-23 financial year.

5. Internal control recommendations

Rent review of commercial leases (2020-21)

Description of deficiency

The Council has a policy to review the rents charged for properties it leases to commercial entities every three years. However, our testing identified some lease properties where this review had not been undertaken in line with the policy. Furthermore, the Council does not have a lease register in place to track when rent reviews are due. As a result, rent reviews only occur after other events trigger it.

Potential effects

The Council is not complying with its policy. This gives rise to a risk the Council may be under-charging rent in respect of some leases.

Recommendation

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

Management response

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

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

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

Status of implementation 2021-22 – Recommendation remains open

The impact of the protracted prior year accounts audits and multiple open accounting years has reduced the Council's ability to implement the above recommendation. A similar observation was noted during the audit of 2021/22.

5. Internal control recommendations

Accounting of deferred income (2020-21)

Description of deficiency

During our testing of debtors and creditors, we noted that the Council recognised income at the time an invoice is raised during the year by debiting the debtors and crediting the income. In cases where an income needed to be deferred to the subsequent year, the Council pass an entry by debiting the expenditure and crediting the deferred income. This has the effect of increasing the income, expenditure, debtors and creditors by the amount of deferred income. These book entries are not adjusted/reversed at the year-end.

Potential effects

The Council's accounting increases the risk that the accounts are materially misstated.

Recommendation

The Council should reverse the relevant accounting entries as part of its year-end financial closure and reporting process.

Management response

The carrying of an opposing debtor and creditor will occur where a receipt in advance is processed but there is no payment received at bank by 31 March. As part of financial closing a check will be undertaken to check whether Receipts in Advance have been paid, and where required an accounting adjustment will be put through to reverse the debtor and creditor position.

Status of implementation 2021-22 – Recommendation remains open

The impact of the protracted prior year accounts audits and multiple open accounting years on the Council's ability to implement the above recommendation and the similar observation was noted during the audit of 2021/22. Management have stated that the recommendation will be addressed for the 2022-23 financial year.

5. Internal control recommendations

Financial statements and supporting working papers (2019-20)

Description of deficiency

The draft financial statements presented for audit contained a significant number of misstatements and presentational errors. In addition, the supporting working papers did not reconcile to the financial statements in a number of areas. In our view, the Council's Financial Reporting Team did not have the capacity and capability to properly understand the requirements of the CIPFA Code of Practice for Local Authority Accounting (the Code) and the underlying IFRS based financial reporting framework.

Potential effects

The draft financial statements did not accurately reflect the Council's financial position and were not fully compliant with the Code. The audit process was more time consuming because of the high number of complex issues that need resolving during the course of our work. The extent of this, together with the national issue in respect of infrastructure asset accounting, led to a considerable delay in the signing of audit report.

Recommendation

The Council should review the skills and capacity of its Financial Reporting Team alongside its closedown process to ensure it is sufficient to prepare a materially correct set of draft accounts. This should include a detailed management review of the draft financial statements and supporting working papers before these are presented for audit and published on the Council's website for public inspection.

Management response 2019-20

We accept there were errors in the statements presented for audit. The closedown and production of draft accounts were concluded by 31 May despite the impact of COVID on working arrangements, and despite vacancies in the core team.

Additional resource has been brought in to support the production of draft accounts for 2020/21, and the Council has improved quality of working papers, reconciling all working papers to the ledger system.

The publication of draft accounts for 2020/21 was delayed as a result of the ongoing audit of 2019/20 and remediating actions. The 2020/21 accounts were published on 30 September 2022, after incorporating an internal review process to improve quality and ensure consistency across the statement and supporting notes, as per the recommendation.

Management response 2020-21

The draft accounts for 2021/22 and following years will incorporate the same quality review before publication and presentation to audit. The Council is working through the backlog of financial reporting and audits to target compliance with reporting deadlines for the 2023/24 accounts.

5. Internal control recommendations

Financial statements and supporting working papers (2019-20) {Continued}

Status of Implementation in 2020-21 - Open

The publication of draft accounts for 2020/21 was delayed and first draft submitted for audit in September 2022, were subjects to material adjustments during the audit. There were delays in providing the working papers supporting the financial statements and responses on the audit queries.

The internal control weakness remains and we have considered this as part of our VFM reporting in Section 7.

Status of implementation 2021-22 – Closed

We have seen an improvement in the quality of the draft accounts and supporting working papers.

5. Internal control recommendations

Bank reconciliations and cash held on behalf of third parties (2019-20)

Description of deficiency

Our testing of the bank reconciliations identified the Council was unable to fully reconcile its cash position.

In addition, the Council holds substantial levels of cash on behalf of third parties, in particular, North London Waste Authority (NLWA). The underlying records allocating the amounts held on behalf of third parties were not sufficiently clear to ensure the financial accounts correctly reflected the underlying position.

Furthermore, we identified the Council uses two sub-nominal codes in relation to the Cash Control Account for card payments. Processing transactions through two sub-nominal codes generates significant balances within the general ledger which need to be manually netted off in order to reflect the correct cash position.

Potential effects

There is a risk the draft accounts do not accurately record the Council's cash position.

Recommendation

The Council should ensure all bank accounts are properly and fully reconciled. All unreconciled balances should be appropriately explained and cleared.

The records supporting the cash held on behalf of third parties should be improved.

The Council should review the current practice of using two sub-nominal accounts to ensure significant balances are not accruing on both.

Management response 2019-20

The Council manages and invests the working balances of the NLWA, and these were included in the overall cash and short-term investment balances in the draft accounts. We have discussed with Mazars that this was not the correct presentation, and this has been corrected in the revised Statement presented.

The recording of cash and investment balances held on behalf of NLWA has been reviewed and clarified by both Camden and NLWA during the audit of 2020/21 accounts.

The Council has reviewed and improved its bank reconciliation processes following control recommendation from external audit and an internal audit Key Financial System review of the banking processes, moving from monthly to daily bank reconciliations to support instant investigation and resolution of any unreconciled balances. There are no unidentified unreconciled items at the time of writing.

5. Internal control recommendations

Bank reconciliations and cash held on behalf of third parties (2019-20) {Continued}

Management response in 2021-22

The Council has reviewed the system configuration for recording two separate sub-nominals in the control account for card payments and amended to incorporate the control on a single sub-nominal to prevent opposing debit and credit balances from accruing.

Status of Implementation in 2020-21 - Recommendation remained open

No issues with reconciling items were identified during our testing of the Council's bank reconciliations.

The Council has not included cash or investments held on behalf of NLWA on its balance sheet and there were no indications that it has included any other amounts held on behalf of third parties within its reported cash balance.

Although the Council has confirmed that it now only uses one of the control account sub-nominal codes, there remains a £2.4m unexplained difference between the two codes, which should have been netted off against each other to zero to allow only one code to be used going forward. The Council should perform the reconciliation and pass the adjustment entry as required. We have not reported this as an unadjusted misstatement as the Dr/Cr impact is not known at this stage. We are currently discussing this matter with management to gain assurance that there are no material gross errors.

RECOMMENDATION REMAINS OPEN

Status of Implementation in 2021-22 - Closed

The Council has provided the reconciliation for the balance in the cash control account year ended 31 March 2022.

5. Internal control recommendations

Accounts payable balance (2019-20)

Description of deficiency

Our testing of accounts payable identified there were no procedures in place for producing creditors listing at month end/ year end at transaction level. In addition, the Council did not update creditors listing promptly after paying creditors. As a result, the information initially provided to support the year end balance was incorrect.

The Council's reconciliation processes require a high number of manual adjustments, including several debtor and creditor codes that needed to be netted off in order to reflect the correct balance on both sides.

There are a number of balances included in the ledger relating to legacy systems that need to be properly investigated and cleared so that redundant codes can be closed.

Potential effects

The absence of standard operating procedures such as producing month end/ year listing for review and the updating of creditor account balances as they are paid increases the risk of error in the reporting of the accounts payable balance. The need for significant netting off of debtor and creditor balances and the failure to clear legacy balances out of the ledger increases the risk of inaccurate reporting of accounts payable balance. There is a further risk that the Council may over-pay some of the suppliers and under-pay others.

Recommendation

The Council should ensure there is:

- a comprehensive review of the procedures for reviewing and reporting month end and year end balances;
 - a full review of the ledger codes available for use so that redundant codes are closed;
 - a change to procedures so that debtor and creditor balances are properly cleared rather than netted off; and
 - a review of all old (legacy) balances so that these are paid or written off as appropriate
-

Management response

The Council has identified reporting functionality for Payables within Oracle to support creditor balances, relating to goods and services received and supplier invoices due for payment. There are a number of creditor balances for year-end manual accrual processing for creditors or receipts in advance, for which there will be no corresponding balances report, and which will require audit through sampling of year end transactions. Other creditors are the result of legitimate balances on control accounts.

A review of debtor and creditor balances has taken place as part of the 2020/21 audit of accounts, resulting in a number of legacy debtor and creditor balances being cleared in the financial ledger rather than netted off in the working papers.

Further work to review and assign responsibilities for balance sheet monitoring is taking place to ensure month end and year end balances are accurate and supportable.

5. Internal control recommendations

Accounts payable balance (2019-20) {Continued}

Status of Implementation in 2020-21 – Recommendation remained open

We have identified similar issues during the audit of accounts payable. The listings of accounts payables provided by management were primarily the ledger accounts of different creditors nominal codes with opening balance, transactions during year (both Dr. and Cr.) and closing balance. These listings could not be used for selection of samples and the same were sent back to Council for revision.

Status of Implementation in 2021-22 - Closed

We have not found the same issues for 2021-22.

5. Internal control recommendations

Accounts receivables balance (2019-20)

Description of deficiency

Our testing of accounts receivable identified that there were no procedures for producing debtors listing at month end/ year end at transaction level including aged debtors listing.

We observed a lack of control over the reconciliation of the accounts receivable figure reported within the financial statements and the general ledger. A balance of £139m was reported within the financial statements whereas the general ledger balance totalled £152m. Audit testing identified further errors in the reported position so the balance of £139m was amended to £158m.

As with accounts payable, the Council needs to make a significant number of manual adjustments in respect of several debtor and creditor codes that need to be offset (net to zero).

Potential effects

- In the absence of appropriate procedures such as producing month end/ year listing for review and producing and reviewing regular aged debtors listings, there is a risk of error in the Council's financial accounts.
 - The current practice of netting off of debtors/ creditors balances increases the risk of inaccurate reporting of the Council's debtors balance.
 - Furthermore, the current operational arrangements could lead to delays in recovering debts or an increase in irrecoverable debt which ultimately reduces the Council's available resources
-

Recommendation

The Council should ensure there are proper procedures in place to ensure month end and year end balances are properly reviewed and reconciled. This should include regular review of the aged debtors.

Management response

The Council reports aged debtors from its debtor system and reconciles debtor system balances to the general ledger on a daily basis.

There are a number of balances for year end manual accrual processing for debtors or payments in advance (prepayments), for which there will be no corresponding balances report, and which will require audit through sampling of year end transactions.

A review of debtor and creditor balances has taken place as part of the 2020/21 audit of accounts, resulting in a number of legacy debtor and creditor balances being cleared in the financial ledger rather than netted off in the working papers.

5. Internal control recommendations

Accounts receivables balance (2019-20) {Continued}

Management response

Further work to review and assign responsibilities for balance sheet monitoring is taking place to ensure month end and year end balances are accurate and supportable.

Status of Implementation in 2020-21 – Recommendation remained open

The similar issues were noted during the audit of accounts receivables. The listings of accounts receivables provided by management were primarily the ledger accounts of difference debtors nominal codes with opening balance, transactions during year (both Dr. and Cr.) and closing balance. These listings could not be used for selection of samples and the same were sent back to council for revision.

Status of Implementation in 2021-22 - Closed

We have not found the same issues for 2021/22.

5. Internal control recommendations

Property, plant and equipment/ Investment properties/ Assets held for sale (2019-20)

Description of deficiency

Our audit work identified a number of fundamental weaknesses in the Council's approach to the valuation of its property, plant and equipment, including council dwellings, investment properties and assets held for sale. These included a:

- lack of understanding of the requirements of the CIPFA code and MHCLG guidance on the valuation of HRA stock;
- lack of clear instruction to the valuer to ensure valuations were compliant with the CIPFA Code and MHCLG guidance;
- lack of review and/ or challenge of valuations presented by the valuer, especially in relation to HRA and investment properties;
- lack of review and updating of the valuations of assets held for sale; and
- number of deficiencies in the approach to the maintenance of the asset manager data such that assets were incorrectly categorised between investment properties and HRA. .

Potential effects

The valuation of the property plant and equipment, including council dwellings, investment properties and assets held for sale reported in the Council's financial statements may be materially misstated. The disclosures may not be compliant with proper accounting practice as set out in the Code and other guidance.

Recommendation

The Council should fundamentally review its approach to accounting for its asset portfolio. This includes the arrangements for obtaining valuations and the associated capital accounting to ensure compliance with the relevant accounting practice. There is also a need to ensure the Financial Reporting Team has the relevant skills, knowledge and experience of capital accounting.

Management response

The Council has reviewed and reassessed classification of its HRA Commercial properties, and recommissioned professional valuers to confirm building plans in place and provide valuations for all properties over the valuation cycle to ensure compliance with the Code of Practice.

In addition, an internal audit review has been carried out on asset valuation processes, implementing recommendations across the 2020/21 and 2021/22 asset valuations, including detailed procedure notes for completion of capital accounting entries and ensuring check/challenge of Valuers reports.

5. Internal control recommendations

Property, plant and equipment/ Investment properties/ Assets held for sale (2019-20) {Continued}

Status of Implementation in 2020-21 – Recommendation remained open

The issues noted during 2019-20 audit of valuation of PPE and investment properties were addressed by management during 2020-21 except the robust instructions to valuer and evidences of challenging the valuation presented by valuer.

Status of Implementation in 2021-22 – Recommendation remains open

During 2021-22, we found that the Council had worked closer with the valuer during the valuation process. However, the Council could not provide evidence of it's challenging the valuation presented by the valuer.

5. Internal control recommendations

Other recommendation on internal control (2019-20)

Description of deficiency

We have observed number of other internal control issues with regards to following areas;

- lack of clarity about roles and responsibilities between Control Team and Financial Reporting Team.
 - lack of controls over completeness of provisions, contingencies and legal claims because of communication issues between the legal and Financial Reporting Team.
 - an overall lack of knowledge and experience in the Financial Reporting Team, including vacancies in some key posts.
-

Potential effects

There is risk the quality of the financial statements prepared will continue to be of a poor quality. This will lead to continued delays in completing the audit and significant additional audit costs.

Recommendation

The Council should review it's arrangements for preparing it's financial statements to ensure there is clarity of roles and responsibilities. This should involve regular liaison with services to ensure they are clear about the contribution to the closedown processes. The Council should ensure there is an appropriate level and quality of staff in place to support the finance function.

Management response

The finance team has a detailed timetable for managing the close down process and producing the financial statements, with responsible officers or teams identified. This is reviewed on an annual basis and communicated to all members involved.

Additional resource has been brought in to support the production of draft accounts for 2020/21, establishing good practice and ensuring financial statements and supporting documentation are of an appropriate standard.

Status of Implementation in 2020-21 – Control point

Given the time it has taken to complete the audit in our review there remains a need for the Council to provide greater clarity in the roles and responsibilities in respect of accounts closedown and preparation. There remains an over dependence of contracted employees in the finance team.

Status of Implementation in 2021-22 – Addressed

We recognise the investment the Council has made in increasing the capacity of its finance team in respect of the statement of accounts and audit.

06

Summary of misstatements

Summary of misstatements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit and Corporate Governance Committee should be made aware of.

There are currently no unadjusted misstatements.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Gain or loss on Investment Property Cr: Investment Property Amendment for Liddell Road valuation, incorrect methodology sheets used for original valuation	10,751			10,751
Aggregate effect of adjusted misstatements	10,751			10,751

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- Note 37: The operating leases note was not correctly prepared and the same was not agreeing to schedule of leases and working paper provided.
- Note 20: A formula error within the workings for Note 20 resulted in an £819k misclassification between 'Other Local Authorities' and 'Other Entities and Individuals'. The overall total is unaffected.
- Note 31: The 'Total row' within the prior year comparatives table for part b) of Note 31 ('Remuneration of officers earning above £50,000') does not cast correctly.
- Note 30: The current year figures for the member allowance in the draft accounts had not been updated from the prior year and represented the 2020-21 figures. The prior year comparatives had also not been updated and represented the 2019-20 figures.
- Note 16: Cash and cash equivalents were referred as cash and cash equivalents as just "cash" in the financial instruments fair value section of Note 16.
- Note 14: Investment Property the net gains/(losses) from fair value adjustment amount was incorrectly calculated, see page 38 for detail of error.

07

Value for Money

Value for Money

Approach to Value for Money

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **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.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in soon after issuing our audit opinion.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

Forvis Mazars LLP
30 Old Bailey
London
EC4M 7AU

Dear Suresh

London Borough of Camden - Audit for Year Ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of London Borough of Camden ('the Council') for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022, and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director Corporate Services that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates are reasonable, including:

- those measured at current or fair value.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Executive Director Corporate Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - o management and those charged with governance;
 - o employees who have significant roles in internal control; and
 - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Appendix A: Draft management representation letter

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2021/22 in relation to the Council's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events **note [X]** to the financial statements fairly reflects that assessment

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events **note [X]** to the financial statements fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Appendix A: Draft management representation letter

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours sincerely

John Rowney

Executive Director Corporate Services

Date:

Appendix B: Draft audit report

Independent auditor's report to the members of London Borough of Camden

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of London Borough of Camden ('the Council') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statements, the Movement in Reserves Statements, the Balance Sheets, the Cash Flow Statements, the Housing Revenue Account (HRA), the Movement on the Housing Revenue Account Statement, the Collection Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/22 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director Corporate Services use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director Corporate Services with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit report

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Executive Director Corporate Services is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Executive Director Corporate Services for the financial statements

As explained more fully in the Statement of the Executive Director Corporate Services' Responsibilities, the Executive Director Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Executive Director Corporate Services is also responsible for such internal control as the Executive Director Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Executive Director Corporate Services is responsible for assessing each year whether or not it is appropriate for the to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Appendix B: Draft audit report

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Executive Director Corporate Services incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to - posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Corporate Governance Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Corporate Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Corporate Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Executive Director Corporate Services use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Appendix B: Draft audit report

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council's arrangements.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any further matters which we are required to report by exception.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Appendix B: Draft audit report

Use of the audit report

This report is made solely to the members of London Borough of Camden, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Suresh Patel, Key Audit Partner

For and on behalf of Forvis Mazars LLP

30 Old Bailey, London, EC4M 7AU

[date]

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
<p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
<p>Going Concern</p>	<p>e have not identified any evidence to cause us to disagree with the Chief Financial Officer that London Borough of Camden will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements..</p>

Appendix D: Other communications

Other communication	Response
<p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and where appropriate Corporate Committee confirming that</p> <ul style="list-style-type: none"> a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b) they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

Contact

Forvis Mazars

Suresh Patel

Partner

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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