



Auditor's Annual Report

London Borough of Camden – years ended 31 March 2022 and 31 March 2023

27 November 2024

Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities

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01

Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for London Borough of Camden ('the Council') for the years ended 31 March 2022 and 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

This report includes the limited reporting we are required to do for the disclaimed audit opinion on the 2022/23 accounts.



Opinion on the financial statements



- We issued our audit report for the year ended 31 March 2022 on 27 November 2024. Our opinion on the financial statements was unqualified.
- Our audit report for the 31 March 2023 will include a disclaimer of opinion. This means our audit report does not express an opinion on the financial statements and no assurance was provided. It is necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council's financial statements. We are unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



Wider reporting responsibilities

- The NAO has now confirmed that it does not require us to comply with its group audit instructions as the C&AG has issued the audit opinion on the Whole of Government Accounts for 2021/22 and 2022/23.

02

Audit of the financial statements

Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March and of its financial performance for the year then ended. Our audit report for 31 March 2022 gave an unqualified opinion on the financial statements. As a result of the backstop arrangements for 2022-23, our audit report for 31 March 2023 will be a disclaimed opinion on the financial statements.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Council's accounting practices

We continue to work collaboratively with the finance team to improve the audit process and enable the Council to prepare good quality accounts and supporting working papers. 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 for 2021/22 and 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 for 2021/22 on 8 April 2024 and they 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. The Council published its draft accounts for 2022/23 on 17 October 2024.

We have recently reported to the Audit and Governance Committee the findings and conclusions of the audit of the Council's 2021/22 accounts including misstatements that we identified and internal control recommendations we agreed with the Council. We do not repeat those matters here.

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.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	For 2021/22 we did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Annual Governance Statement	For 2021/22 we did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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.



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work, we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information;
- Information from internal and external sources including regulators;
- Knowledge from previous audits and other audit work undertaken in the year;
- Interviews and discussions with staff and officers;

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 there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work for both 2021/22 and 2022/23 against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
1 2021-22	No risk based work
2 2022-23	No risk based work

Overall commentary on Financial Sustainability

Background to financial sustainability in 2021/22

The Council began the 2021/22 financial year as the country moved gradually out of the restrictions arising from the national lockdown, which brought with it the management of a range of changing requirements to effectively respond to the centrally implemented step levels. Central government implemented a series of steps and a detailed timetable as part of the continued national response to Covid-19, many of which impacted on the Council's continuing and pandemic specific services. The Council was at the forefront of efforts to assist local residents, including the most vulnerable, and to support local businesses.

As in 2020-21, some of the government's initiatives to respond to the Covid-19 pandemic were supported by additional funding, for which the Council received significant additional funding across both 2020/21 and 2021/22. The Council received Covid-19 emergency grant of £16.99 million (£17.47 million in 2020/21) plus a number of other individual specific Covid related grants. This funding allowed the council to continue to support residents and businesses through the year and provided funding to help mitigate some of the financial pressures caused by the pandemic. The financial sustainability challenges arising from the pandemic response have continued in the short term and combined with changes in government funding, maintains the pressure on the Council to ensure effective financial sustainability arrangements.

At the start of the 2022/23 financial year the Council were cognisant of the considerable financial challenge relating to the uncertainty around the ongoing impact of Covid-19, the associated economic downturn and future funding levels from Central Government. This was against the backdrop of reduced core funding and increased demands for adult social care, children's services, and inflationary impacts upon costs.

The Council's financial planning and monitoring arrangements

The Council achieved its planned savings during 2020/21, leading to a balanced outturn and a bolstering of reserves to support the 2021/22 financial position. The final financial outturn for 2021-22 and 2022-23 was very close to the projected position throughout the year. A balanced budget was set for 2021/22 and 2022/23 after identification of savings by Directorates and subjected to a challenge as to the likelihood and extent of achievement. Regular reporting to Cabinet and the Council reported on the level of savings proposed, progress in achieving them as well as additional pressures that had been identified.

Throughout the year the Council regularly updated its budget forecast, enabling budgets to remain up to date in the fast-changing and uncertain operating environment of the pandemic. The Council had a net revenue budget of £233.1m in 2021/22 and delivered a final outturn of £233m. Whilst the Council made every effort to control expenditure throughout the year the additional expenditure directly attributable to the pandemic remains high £24.m in 2021/22 (£68.3m in 2020/21). Despite this, in 2021/22, the final General Fund revenue outturn shown and underspending of £0.1m.

The Capital Programme expenditure budget for 2021/22 was set at £261.9m however the actual spend for the year was £173.3m which represented 66% of the total budget. All the five divisions of the council reported an underspending during the year. This was due to a range of challenges, many of which were indicative of wider economic headwinds, including procurement and supplier challenges, inflationary pressure and scheme of delays or reprofiling. The General Fund capital receipt target was exceeded by £9.7m. This was caused by three large one-off sales forming the bulk of these receipts, including the £9.6m Highgate Centre, which was not expected to complete in year.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

The budget setting for 2022/23 was concluded at the Cabinet meeting in February 2022. The net budget for 22/23 was £229m. The Council achieved a balanced budget for 2022/23 by reviewing several of the MTFS workstreams to identify areas where savings could be achieved. The Council has carried out an Equality Impact Assessment (EIA) on the setting of the revenue budgets and proposed an increase in Council tax by 2.99% for 2022/23, including 1% for the adult social care precept.

We have reviewed the yearend financial outturn reports presented to the Cabinet in July 2023, the outturn position of General Fund was £244m as against the updated year end budget of £244.1m.

2020 saw the ending of the Welfare Reform and Work Act 2016 which introduced a 1% rent reduction for existing tenants in social and affordable housing for four years from 2016. The Council estimated that rental income was £69m lower than it would otherwise have been as a result of four years of rent reductions. This, along with increasing regulatory requirements and the impact of global events placed the HRA under additional pressure.

The HRA showed an overspend of £12.1m which was due to the following:

- £6.6m overspend on gas and power - due to the war in Ukraine and other global events, the price the Council paid for gas and electricity for the year to the end of September 2023 increased by 261% and 83% respectively.
- £3.2m unbudgeted expenditure on tackling damp and mould.
- £2.4m other repairs and voids overspends due to an increase in demand.
- £1.9m on unbudgeted staff pay award driven by higher than anticipated inflation.

As in prior years, there was a significant underspend against the capital plan, which as part of the MTFS refresh necessitated by the Covid-19 pandemic, was subject to detailed review. As with revenue, detailed reports setting out variances and reasons were presented to the Council throughout the year. The MTFS as agreed during 2019/20 was challenging and was further challenged by the impact of the Covid-19 pandemic, with lost income and additional expenditure being incurred. The Council had been applying challenge to saving and spending projections for future years across all Directorates.

The delivery of the capital programme, particularly the housing new build programme, was

adversely impacted by the restrictions on the construction industry. During the year, the Council provided regular reports of its financial position to Cabinet. We have reviewed a sample of the reports presented for 2021/22 and 2022/23. These reports were detailed and comprehensive and incorporate monitoring of the revenue budget, the capital programme, and a wide range of other financial measures.

The Council's arrangements for identifying, managing and monitoring funding gaps and savings

In December 2018, Cabinet agreed a Medium-Term Financial strategy (MTFS) that sought to provide the financial framework for the three years from 2019/20 to 2021/22. The programme, developed through an outcomes based budgeted approach, was developed to address a projected deficit of between £35-£40m over the three-year period and included approximately 100 projects saving over £30m by 2021/22. This followed a period of 8 years where the Council had been obliged to make an unprecedented £169m of savings and to reduce its workforce by 23% (1,140 full time equivalents). MTFS remains a central element of the Council's long-term financial planning.

The Covid-19 crisis had a significant financial impact and has impacted the level of resources available to the Council. The Council accepts that it needs to consider how it remains financially resilient and sustainable in what are very uncertain times for the borough and the country.

2021/22 was the final year of the agreed MTFS and the Council reduced its budget by £28.4m in the three years from 2019/20 to 2021/22. This means that the Council's budget reduced by £197m since 2010.

Ongoing funding decisions from central government has been coupled with rising pressures and very significant growth in demand for services, most notably within health and social care. In January 2023 Cabinet agreed the Council's new Medium Term Financial Strategy including £27m of savings to help address the Council's medium term budget gap. The Council anticipated a budget gap of between £35-40m on the General Fund 2024/25 and a further £10m by 2025/26.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

The Council’s arrangements for identifying, managing and monitoring funding gaps and savings (continued)

Against such an uncertain backdrop, the Council continues to be challenged by a tough financial environment. While the Council was not forecasting for a net reduction in its reserve position and was able to produce a balanced budget for 2021/22, its outturn position in the General Fund for 2022/23 required the planned one-off use of £5million of reserves and contingencies. This was a planned use of reserves forming part of the Council’s wider response with specific earmarked funds being set aside to assist in recovery from the impact of the Covid pandemic. As part of the Council’s strategy on financial resilience it is committed to building up sufficient reserves to ensure both that the Council has sufficient resources in place to meet future policy investment commitments and to provide a strong financial basis to protect the Council from any future financial uncertainty as a result of pandemic.

The Council’s budget setting process is a detailed and comprehensive process. There is detailed consultation and discussion with officers and Members on the assumptions and principles on which the budget is to be based. The Council continually monitors the horizon, funding and cost implications and updates financial assumptions and projections if required. As part of the budget setting process, the Council explicitly identifies its budget reduction requirements for the following years through detailed consideration of the budgetary pressures, funding estimates, and impact of national and local initiatives and policies. We reviewed a range of the budget preparation documents. Our review confirmed that the documents were comprehensive and detailed to support the budget preparation process.

Based on the above considerations we are satisfied there is not a significant weakness in the Council’s arrangements in relation to financial sustainability.

VFM arrangements

Governance

How the Council ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
1 2021-22	We have followed up the previous year’s significant weakness and concluded that the Council has implemented the recommendation for improvement.
2 2022-23	Nil

Overall commentary on the Governance reporting criteria

The Council’s risk management and monitoring arrangements

The Council has a risk management framework in place, which was revised in the summer of 2022. An annual Principal Risk Report (PRR) is prepared in conjunction with circa 30 risk leads across the Council, DMTs and CMT. The PRR includes, a detailed ‘Risk on a Page’ articulated for each principal risk. The ‘risk on a page’ serves as a dynamic living document for risk leads to consult, review and deliver to on an ongoing basis. The Council has comprehensive anti-fraud strategy, affirming a zero-tolerance approach to fraud. We have reviewed the risk management framework, and our review confirms the framework is clear and detailed, and the risk registers are comprehensive, containing sufficient and appropriate detail for Council officers and members. Our attendance at the Audit and Governance Committee meetings has confirmed that the Committee understands its role in the risk management framework. It provides challenge to management on the risk registers and corresponding risks and mitigating actions.

Assurance over the effective operation of controls is obtained through delivery of the annual internal audit plan. The audit plan is risk based, with resource directed towards areas of principal risk as articulated in the PRR. The plan also includes a rolling cycle of assurance over key financial systems and makes provision for follow up of audit recommendations. Internal Audit Terms of Reference, for individual audit reviews, include risks surrounding the prevention and detection of fraud. The annual audit plan also includes a contingency to cover urgent, unplanned reviews. The

contingency is largely utilised to provide control design advice in areas of change/new areas, hence assuring that the risk of fraud is considered and mitigated as part of the development of new processes.

Internal Audit progress reports are presented quarterly to the Audit and Governance Committee meeting, including follow up reporting on recommendations from their previous reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an opinion based on the work completed during the year. For 2020/21 and 2022/23, the Head of Internal Audit concluded that moderate assurance – which indicate the adequacy and effectiveness of the overall arrangements for the Council’s systems of internal control, risk management and governance are adequate, with some improvement required.

Throughout the year we have attended Audit and Governance Committee meetings. These meetings have received regular updates on both internal audit progress and risk management. Audit and Governance Committee members engage with the reports and challenge the papers and reports which they receive from management, internal audit, and external audit. The role of the Leadership Team in supporting good governance is highlighted in the Annual Governance Statement which have reviewed and not identified any issues.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Council arrangements for budget setting and budgetary control

The 2021/22 and 2022/23 budget reports were approved in February 2021 and February 2022 respectively, setting out the estimates of the financial challenge for the respective financial year. The estimates were updated regularly throughout 2021/22 and 2022/23 and the likely financial position for each year was reported to Cabinet.

The annual budget setting process is coordinated via a budget setting group within the Finance Department. The budget setting information is managed via a specific budget setting module within the Council Finance System. The budget setting group within Finance communicates with budget holders to confirm the timings of the budget setting project and agreed inflation and other changes.

The annual budget setting process includes estimates for Council Tax, Business Rates and grants, to set the overall cash-limit funding for the annual budget. The estimates to be included in the budget setting process for the cash limit are discussed and agreed with the S151 officer. The budget setting module is reconciled to the agreed cash-limit and budget reports are prepared and given to each Service to agree. Finally, a summary of the budget is recommended to Members in January/Feb for debate and approval.

The Council has well established budget setting and budgetary control arrangements in place. The Council follows an annual budget setting process that meets all its statutory and constitutional requirements. The Council's monitoring officer ensures that agreed procedures are followed and that all applicable statutes and regulations are complied with, legal comments and advice is sought on the budget report before approval by members.

Budget holders are required to monitor and forecast their budgets monthly. Formal forecasting reports are produced and reported to Service Management Teams, Directorate Management Teams and CMT each quarter. The reports include key financial information including relevant financial forecasts as well as key risks and issues facing the service. We have reviewed a sample of these reports and can confirm that information is presented is clear and understandable.

Council decision making arrangements and control framework

Decision making: The Council has well developed arrangements setting out how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and

accountable. The Audit and Corporate Governance Committee (ACGC) fulfils the expected functions of such a committee and has continued to meet regularly throughout the year, receiving reports of internal and external audit, and challenged the findings and recommendations as appropriate. The ACGC met regularly throughout 2021/22 and 2022/23.

The Corporate Risk Register is formally reported regularly to ACGC with a supporting analysis detailing movements in risk levels. There are a number of developed risk registers at service levels which are also subject to regular review and challenge.

The Council has a detailed Treasury Management Strategy in place with regular reporting throughout the year. Decisions on treasury management are linked to the overall Medium Term Financial Strategy and capital programme of the Council. There has been regular reporting to Cabinet of performance and financial performance throughout the year, with a Medium-Term Financial Strategy (covering the period to 2021/22) for the year ended 31 March 2022. During 2022/23, the Council has started working on developing a new Medium Term Financial Strategy.

Financial Reporting : During our audit of the financial statements of the Council for 2019-2020 and 2020-21, we reported a significant weaknesses in Council's arrangements for the closedown and preparation of the statement of accounts as at the year end and we observed that the Council did not have appropriate arrangements in place to support timely and accurate financial reporting at the year end. During the audit of 2021-22 we noted significant 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.

We reviewed the Council's financial statements for 2021-22 including the 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.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.

VFM arrangements

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements in relation to Improving Economy, Efficiency and Effectiveness

Risk of significant weakness in arrangements	Work undertaken and the results of our work
1 2021-22	No risk based work
2 2022-23	No risk based work

Overall commentary on Improving Economy, Efficiency and Effectiveness

The Council's arrangements for assessing performance and evaluating service delivery

The Council has established systems for financial and service performance monitoring and reporting at different tiers across the organisation. This information enables leadership teams to assess performance, identify areas of concern and use the data to inform improvement activity. This includes corporate performance reports reflecting key performance from across all services received by Corporate Management Team (CMT) on a regular basis, reporting at Directorate Management Team (DMT) level and a range of service performance management arrangements. Quarterly finance monitoring reports are also received by the organisation, feeding up from SMTs and DMTs to CMT.

As part of three-year MTFS process, the Council took an outcomes-based approach which required the building of an evidence base to inform financial planning decisions. Over the course of 2021/22, the Council developed a revised approach to understanding performance as an organisation through the develop of an insight and accountability framework, which seeks to identify the different roles data plays to understand the performance of services in delivering on key operational priorities (service, DMT and corporate performance reporting)

The Council's arrangements for effective partnership working

Council's insight and accountability framework seeks to understand impact and influence it has and the role partners and stakeholders play, in supporting the delivery of community strategy. The Council has a range of strategic partnership boards who maintain a watching brief on the delivery of their shared priorities and the delivering of their strategic plans. This includes receiving a range of performance reports, insight into lived experience of Camden residents and evaluation of delivery plans.

The Council holds regular meetings with the partners to review performance and ensure actions are

taken where improvement is required. Any significant issues or concerns arising from the meetings are escalated to the appropriate DMT and CMT. Each Directorate Lead is responsible for managing its own relationships with key partners and engaging with the relevant stakeholders. This generally involves an agreed terms of reference or a memorandum of understanding between parties and a set of key performance indicators and performance standards expected through the partnership.

The Council's arrangements for procurement and commissioning services

There is Procurement Guidance available on the Council's intranet site Essentials. The Council has in place a framework for governance to oversee procurement strategies and endorse subsequent contract award and contract management. There are two Procurement Boards 1) Commissioning & Procurement Board and 2) the Strategic Commissioning & Insourcing Board. These Boards review Tollgate papers that outline strategies, awards and contract performance. There is also a Community Investment Programme Gateway and Board that looks at all Development and Community Investment Projects.

Procurement use an e-tendering platform (Proactis) to advertise all contracts over public sector thresholds and advertise on contracts finder.

Contract Standing Orders describe the process for buying goods or services on behalf of the Council. The Contract Standing Orders (CSO) are a set of checks and controls to ensure that the Council obtains best value and complies with its powers and duties. Buying goods and services following CSOs provide assurance that the procurement is in line with current procurement legislation and after obtained appropriate authorisation for spend.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency, and effectiveness in both 2021/22 and 2022/23.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

As part of our 2020/21 audit work, we identified the following significant weakness and made recommendations for improvement in the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. This identified weakness has been outlined in the table below, along with our view on the Council’s progress against the recommendations made, including whether the significant weakness is still relevant in the 2021/22 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Governance arrangements in relation to how the Council ensures that it makes informed decisions and specifically how it ensures effective processes and systems are in place to support its statutory financial reporting requirements</p> <p>The Council is required to ensure it has arrangements in place to enable it to prepare timely and good quality financial statements that ultimately enable it to make informed decisions.</p> <p>Due to the issues and delays to the financial statements and audit for the year ending 31 March 2020, there was a significant risk in arrangements for the year ending 31 March 2021.</p>	<p>Governance</p>	<p>We recommend that the Council continues to take actions to improve the timeliness and quality of its draft statement of accounts and supporting working papers in response to the 2019/20 and 2020/21 auditor’s reporting, so it ensures it meets the statutory requirements in relation to publication of financial statements. In particular, the Council should:</p> <ul style="list-style-type: none"> • Address the agreed internal control recommendations; • Implement a robust quality control procedure for its draft accounts; and • Improving the responsiveness to audit queries. 	<p>During our audit of 2021-22, we noted significant improvement 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.</p> <p>We have not identified any significant deficiencies in the Council’s internal controls during our audit. We followed-up on the 8 prior year’s internal control recommendations. The Council has addressed 4 of our recommendations and 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.</p>	<p>We are satisfied that the Council has addressed the recommendation for improvement.</p>

Other reporting responsibilities and our fees

Other reporting responsibilities and our fees

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. 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. The NAO have confirmed that they intend to sign the 2022/23 WGA on the 22nd November. We will therefore complete the WGA Assurance statement as part of issuing the 2022/23 audit opinion.

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Corporate Governance Committee on 8 November 2023. Having completed our work for the 2021/22 financial year, we outline the fees that we are currently seeking to agree with the Executive Director Corporate Services. For 2022/23, we will seek to agree our final fees shortly.

Area of work	2021/22 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£126,242	£126,242
Additional fees for additional work in respect of:		
1. Property, plant and equipment valuations & issues	£18,500	£19,000
2. Pension liability valuations	£10,000	£12,000
3. Reduced materiality	£15,000	£15,496
4. Poor quality accounts, system reports and working papers	-	£41,379
5. Code changes to value for money and additional risks and recommendations	£15,000	£15,000
6. Revised auditing standard on accounting estimates	£10,000	£9,900
7. Increased regulatory challenge	£13,000	£12,500
Total fees	£207,742	£251,517

Other reporting responsibilities and our fees

Fees for work as the Pension Fund's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum. Having completed our work for both the 2019/20 and 2020/21 financial years, we can confirm that our final fees as agreed with the Executive Director Corporate Services are as follows:

Area of work	2021/22 fees	2020/21 fees
Planned fee - Code of Audit Practice	£16,170	£16,170
Additional fees in respect of additional work in respect of:		
1. Level 2 and 3 investment assets	-	£4,200
2. IAS19 assurances	£2,500	£2,100
Total fees	£18,670	£22,470

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Having completed our work we can confirm that our fees are as follows:

Area of work	2021/22 fees	2020/21 fees
Housing benefits subsidy assurance	£14,450	£12,050
Teachers' pension return assurance	£3,850	£3,750
Pooled housing capital receipts assurance	£5,100	£4,000

Contact

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