

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: Statement of Accounts 2023-24	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Audit and Corporate Governance Committee	DATE: 20 February 2025
<p>SUMMARY OF REPORT: This report presents to the Audit and Corporate Governance Committee the final 2023/24 Statement of Accounts for approval, together with the reports of the External Auditor.</p> <p>LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION No documents that require listing have been used in the preparation of this report.</p> <p>CONTACT OFFICERS: Raj Shah Chief Accountant 5 Pancras Square London N1C 4AG Telephone: 020 7974 5997 raj.shah@camden.gov.uk</p>	
<p>RECOMMENDATIONS</p> <p>The Committee is asked to:</p> <ol style="list-style-type: none"> 1) Note the External Auditor’s reports for the 2023/24 statement of accounts for the Council (Appendix A) and Pension Fund (Appendix B) 2) Approve the 2023/24 Statement of Accounts at Appendix C 3) Authorise the Executive Director Corporate Services, following consultation with the Chair of the Audit and Corporate Governance Committee, to approve any remaining amendments to the Statement of Accounts as the auditors complete any final outstanding matters. 4) Authorise the Chair of Audit and Corporate Governance Committee to sign the 2023/24 Statement of Accounts. 	
SIGNED: Approved by Director of Finance	
DATE: 11 February 2025	

1. Purpose of Report

- 1.1. This report presents to the Committee the Draft Audit Completion Reports for 2023/24 from the external auditor Forvis Mazars, and the Statement of Accounts for the Committee's approval.
- 1.2. The external auditor has provided a **qualified opinion** on the Pension Fund accounts for 2023/24, and issued a **disclaimed audit opinion** for the Council for 2023/24 to conclude the audits for the statutory backstop date of 28 February 2025.
- 1.3. The Ministry of Housing, Communities and Local Government (MHCLG), the National Audit Office (NAO) and the Financial Reporting Council (FRC) have been clear that where authorities receive a qualified or disclaimed audit opinion as a consequence of the backstop deadlines that this should not reflect poorly on the authority.

2. Background

- 2.1. The issues surrounding the completion of local government audits and the backlog of financial accounts has been well documented, and has been a regular topic of discussion at this Committee for a number of years. Having been described as a crisis in local audit by the Public Accounts Committee in 2024, MHCLG set about implementing a three-phase solution to address the issue – Reset, Recover and Reform. The Reset element set in legislation a series of backstop dates by which annual accounts would need to be published, whether or not auditors had completed their work on the accounts.
- 2.2. The backstop dates came into force in September 2024, setting out dates by which authorities must have approved and published their accountability statements for the relevant year, including the statement of accounts together with the audit opinion and any certificate, the annual governance statement and narrative statement. Those dates are as presented below.

Financial Year	Backstop Deadline
2022/23 and earlier	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 2.3. Camden, like many local authorities, has experienced significant delays with the audit of accounts over the past 4 years, but has worked hard to improve its financial reporting environment and bring outstanding audits to a close. The audits for 2019/20, 2020/21 and 2021/22 were concluded in 2024, with the

Council and Pension Fund receiving an unqualified opinion from its most recent full audit.

- 2.4. Due to insufficient time to fully complete the audit of the 2022/23 accounts Camden received a disclaimed audit opinion on those accounts for both the Council and Pension Fund. The accounts were agreed by Committee at its last meeting in December 2024 and published in time to meet the backstop date.
- 2.5. Following a disclaimer of opinion, it is acknowledged that a process of rebuilding assurance will need to take place over a number of subsequent audits, as auditors test prior year data and gain confirmation over prior year comparator movements and balances. Audit firms are continuing to work with the NAO in seeking guidance on how to rebuild assurance and what testing will be required to satisfy audit requirements.

3. Plans for Reform – the Local Audit Office

- 3.1. The Reset and Recover phases of the plans to address the backlog stem from the introduction of backstop dates, and the processes that councils and auditors will need to go through to rebuild the levels of assurance needed to provide full audit opinions on accounts. MHCLG have also begun work on the third Reform phase, issuing a consultation to councils and other interested parties on changes to the local audit and financial reporting environment.
- 3.2. The main proposal is the establishment of the Local Audit Office (LAO) by 2027/28. The aim is to simplify the system, bringing as many audit functions as possible under a single organisation that has a focus and expertise in local audit. The LAO could take on responsibilities of both the accounting and audit codes of practice from CIPFA and the NAO respectively, as well as auditor appointment and contract management from the PSAA (Public Sector Audit Appointments) and audit inspection from the FRC (Financial Reporting Council).
- 3.3. According to information from MHCLG they expect that it could be autumn 2026 before the LAO would be legally established and 2028 before they are fully resourced to take on contract management. The consultation closed on 29th January, and Camden responded strongly in support of the creation of a single system leader within audit.

4. Outcome of the External Audit

- 4.1. Camden published its draft accounts for 2023/24 on 8th January 2025, making the accounts available for the public inspection period between 9 January and 19 February 2025. At the time of writing there have been no requests received to inspect the accounts.
- 4.2. Given the delays to previous years there has not been sufficient time to conduct a full audit of the 2023/24 Council accounts prior to the backstop date of 28 February 2025. As such the external auditor Forvis Mazars has issued a **disclaimed opinion**, as they did for 2022/23. In such instances the Financial

Reporting Council (FRC) have stated it should be made clear that local authorities should not be adversely judged that such an opinion has been issued. In plain terms, a disclaimer means that they have been unable to form an opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the local authority).

- 4.3. The report from Forvis Mazars is presented in **Appendix A**, detailing the audit approach and work that has been done, including work on value for money, as well as basis of the opinion.
- 4.4. Since the publication of the draft accounts officers have made one significant change to the accounts, which is referenced within the auditor's report, for the introduction of an asset ceiling to on the council's pension liability. The change came about after clarification with the council's actuary Hymans Robertson and subsequent discussion with the auditor. The introduction of an asset ceiling is a technical accounting adjustment limiting the asset that can be recognised on an accounting basis when a scheme is in surplus. The adjustments are between the pension asset (now liability) and the unusable pension reserve, and do not impact on the bottom line of fund available to the council. There were no other material changes.
- 4.5. The audit of the Pension Fund accounts is more straight forward, and Forvis Mazars set out to conduct a full audit on the 2023/24 Pension Fund accounts. Due to receiving a disclaimed audit in 2022/23, as expected, the auditor has been unable to gain sufficient assurance on the prior year comparator data, and as such has issued a **qualified opinion**. The report on the Pension Fund is presented in **Appendix B**.
- 4.6. There has been one significant change to the Pension Fund accounts. The valuation of assets are classified into three levels 1 to 3 according to the quality and reliability of information used to determine fair values. As part of the findings Forvis Mazars concluded that the valuation of certain asset classes should be reclassified from level 2 to level 3 within the fair value hierarchy, based on the observable inputs within the valuation methodology. This is contrary to the classification of the fund's custodian JP Morgan, which reported these investments as level 2. The reclassification has not changed the value of the assets reported, but level 3 assets are more susceptible to pricing variances due to the assumptions underlying the valuation, and as such carry an increased risk of misstatement and require additional audit testing. Differences in valuation between the custodian and fund managers have not been material and no adjustments have been made as a result.
- 4.7. The Council remains committed to collaborating with Forvis Mazars to return to unqualified opinions on both the Council and Pension Fund audits as quickly as possible. The completion of a full audit on the Pension Fund for 2023/24 is a good step to rebuilding assurance and bringing forward that possibility.

5. **Statement of Accounts process and next steps**

- 5.1. The 2023/24 Statement of Accounts presented in **Appendix C** has been updated from the Draft Statement published in September to incorporate those amendments identified following the draft publication.
- 5.2. In line with the governance process officers have prepared the management representation letter. This is a letter issued by Camden to Camden's external auditors which declares in writing that the financial statements and other presentations to the auditor are sufficient and appropriate, and without omission of material facts to the statements to the best of management's knowledge.
- 5.3. In addition to the full Statement of Accounts prepared in line with reporting requirements, officers have again prepared a Summary of Accounts, presented in **Appendix D**, to present a simplified and focussed analysis on the main statements and movements. The intention of the Summary is to give some context to the data and make the statement more digestible.
- 5.4. The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each year which meet set requirements, and include the Council's main accounting statements, the Housing Revenue Account (HRA), Collection Fund; and any other statements which the Council is required by statutory provision to keep a separate account for (such as the Pension Fund).
- 5.5. The Accounts and Audit Regulations 2015 require the council to follow a set accounts approval process, as detailed below.
 - i) The responsible financial officer (Section 151 officer) certifies that the draft statement of accounts presents a true and fair view of the financial position of the Council and of its income and expenditure. The Executive Director Corporate Services, as the Council's Section 151 officer, certified the draft 2023/24 accounts when they were published on 8 January 2025.
 - ii) Following the review of the external auditor, and any amendments that are required to the statement of accounts as a result, the responsible financial officer recertifies the presentation of the annual accounts before member approval is given.
 - iii) The annual accounts are considered and approved by resolution of members and the statement of accounts is required to then be signed and dated by the person presiding at the committee or meeting at which that approval is given.
 - iv) The signed statement of accounts are presented back to the auditor together with the Annual Governance Statement and a signed letter of representation from the Section 151 officer to complete the audit closure and issue the audit certificate.
 - v) The accounts are published (which must include publication on the body's website) together with any certificate, opinion, or report issued, given or made by the audit.

6. Finance Comments of the Executive Director Corporate Services

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

7. Legal Comments of the Borough Solicitor

- 7.1. The government has laid before Parliament the amendments to the Accounts and Audit Regulations 2015 that implement the revised proposals for backstop dates in relation to outstanding audits via the Accounts and Audit (Amendment) Regulations 2024, which came into force on 30th September 2024 ('the Amending Regulations').
- 7.2. The Amending Regulations detail the conditions under which an authority will be exempt from the backstop requirements - on the day before the backstop date:
- (i) the auditor is considering an objection to the accounts
 - (ii) an elector who has made an objection still has rights of appeal against the auditor's decision not to act
 - (iii) the auditor is considering whether to apply to the courts for a declaration that an item of account is unlawful (or an application has been made for which due process is incomplete)
 - (iv) For the financial years from 2023 to 2027, the auditor is not yet satisfied that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7.3. If an authority does have an exemption, it will need to issue a notice stating that it has not been possible to publish the statement of accounts and the reasons why not. Publication must then follow as soon as reasonably practicable.
- 7.4. If an authority does not have an exemption but fails to publish by the backstop date, it must as soon as reasonably practicable issue a notice stating that it has not been able to publish the statement of accounts, the reasons for this and that it acknowledges that it must publish the statement as soon as reasonably practicable. The notice must be sent to the Secretary of State (to facilitate scrutiny). The authority must then publish its statement of accounts as soon as reasonably practicable. The current 'delay notice' no longer applies for financial years up to and including 2027-28.
- 7.5. When the statement of accounts, narrative report and annual governance statement are published in accordance with the backstop arrangements, the Regulations require that they must remain available for public access for at least five years after the publication date. Authorities will be required to consider and publish annual audit letters or reports whenever they are received, rather than waiting until the completion of the audit, as currently applies. The Regulations specify that where an authority publishes any statement or notice in accordance with its provisions, this must include publication on the authorities website.

8. Environmental Implications

8.1. There are no environmental implications.

9. Appendices

Appendix A: Draft Audit Completion Report 2023/24 - Council

Appendix B: Draft Audit Completion Report 2023/24 – Pension Fund

Appendix C: Statement of Accounts 2023/24

Appendix D: Camden Summary Accounts for the 2023/24 Financial Year

REPORT ENDS