



Audit Completion Report

London Borough of Camden – Year ended 31 March 2024

February 2025

Audit and Corporate Governance Committee
London Borough of Camden
5 Pancras Square
London
N1C 4AG

10 February 2025

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2024

We are pleased to present our Audit Completion Report for the statement of accounts for London Borough of Camden for the year ended 31 March 2024. The purpose of this document is to summarise our audit and following our Audit Strategy Report which we presented to the December 2024 Committee meeting, explains further how the statutory backstop arrangements introduced by the Accounts and Audit (Amendment) Regulations 2024, have affected the completion of our work and the reporting consequences.

We consider two-way communication with you to be key to a successful audit and particularly important in the context of the backstop arrangements as it facilitates:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities; and
- providing you with constructive observations arising from the audit process even though this has been curtailed by the backstopped arrangements.

As it is a fundamental requirement that an auditor is, and is seen to be, independent of audited bodies, Section 6 of this document summarises our considerations and conclusions on our independence as auditors.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit of the financial statement for the year ended 31 March 2024 as originally planned, in advance of the backstop date of 28 February 2025.

Forvis Mazars LLP – 30 Old Bailey, London, EC4M 7AU
Tel: 020 7063 4000 – www.forvismazars.com/uk

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We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence to issue an unmodified audit opinion in as short a period as practicable.

I 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 +44(0)7977 261873. I would like to express our thanks for the assistance of your team during our audit.

Yours faithfully,



Suresh Patel
Forvis Mazars LLP

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

01

Executive Summary

Executive Summary

Background

We are appointed to perform the external audit of London Borough of Camden (“the Council”) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>.

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2023/24 is set out in the National Audit Office’s (NAO) Code of Audit Practice (‘the Code’). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 (“the 2014 Act”).

We are appointed to audit the financial statements in accordance with International Standards on Auditing (UK), and under normal circumstances our objectives would be to form and express an opinion on whether the financial statements present a true and fair view of the Council’s financial affairs for the year and whether they have been prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. In accordance with the Code, we are required to provide our audit report on those financial statements in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

As a result of the backstop arrangements, as we communicated to the Committee in November 2024, we have determined that there is insufficient time to complete our audit procedures to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of evidence is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council’s financial statements. We have included our proposed audit report in Appendix B. When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will

note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 2.

Further information on the procedures we have undertaken to issue a disclaimer of opinion in advance of the backstop date is provided in section 2.

Responsibilities in respect of fraud and internal control

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting. As part of our audit procedures in relation to fraud we are required to inquire of Those Charged with Governance, key management, and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks.

Management is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. At the date of this report, we include in Section 3, amendments that the Council has made to its draft accounts.

Wider reporting and electors’ rights

The Council published its draft financial statements for 2023/24 on 9 January 2025. As a result, the public inspection period only ends on 19 February 2025. We have not received any question or/objections to the accounts to date. However, there is a risk that if we do receive an objection, we do not have sufficient time to complete the considerations we are required to carry out to determine if the objection could materially impact the accounts by the backstop deadline of 28 February 2025. In such an event we would be required to delay issuing the audit opinion.

Our audit and the implications of the statutory backstop

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work and our findings further in section 6 of this report.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council's financial statements, we anticipate reporting to the NAO that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation of when and how this should be reported to the NAO.

02

Status of the audit

Status of the audit

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements has been conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. We have also had regard to the Local Audit Reset and Recovery Implementation Guidance ('LARRIG') issued by the National Audit Office and endorsed by the Financial Reporting Council in delivering our audit in the context of the backstop arrangements introduced by the 2024 amendments to the Accounts and Audit Regulations.

Our approach to the audit of the financial statements

In the absence of the backstop arrangements, our audit would be risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. After completing our detailed risk assessment work and developing our audit strategy, we would design and complete audit procedures in response to the risks identified.

The conditions created by the imposition of the backstop arrangements mean that we have not carried out all of the work necessary to issue a detailed audit plan and to complete all the required audit procedures to provide an opinion on the financial statements. The approach we have taken to carrying out the Council's audit has been designed so that we can comply with International Standards on Auditing (UK) and issue our audit report to allow the Council to meet the backstop date of 28 February 2025 for publishing the financial statements and other relevant information.

We summarise below, the work we have undertaken to inform our audit strategy and our determination that it is necessary to issue a disclaimer of opinion on the Council's financial statements. As we have not completed all our planning procedures, including all risk assessment work, we do not include a summary of significant and enhanced risks as part of this report.

Area of the audit	Summary of our procedures
Acceptance and continuance	<p>We have carried out all acceptance and continuance procedures including consideration of:</p> <ul style="list-style-type: none">• The financial reporting framework adopted by the Council and the existence of any unusual or controversial accounting policies• The form, timing and expected content of our communication with Those Charged with Governance• Any actual or potential threats to our independence• The existence of any other factors that indicate we should not continue as the Council's auditor
Understanding the entity	<p>We have carried out audit procedures to understand and document our understanding of the Council across a range of areas, including but not limited to:</p> <ul style="list-style-type: none">• Held a client planning meeting• The Council's structure, including the wider group• Key accounting policies• Accounting estimates• The use of experts

Status of the audit

Area of the audit	Summary of our procedures
Control environment assessment	We have documented our consideration of the Council's control environment. We carry out this work to inform both our work on the financial statements and as an element of our Value for Money arrangements risk assessment work.
Fraud	We have carried out work on identifying potential fraud risks and made specific inquiries of management and Those Charged with Governance in respect of actual, potential or suspected fraud.
Materiality	We have considered the application of materiality for the audit of the Council's financial statements. Further details on the materiality thresholds determined, is included later in this section of our report.
Laws and regulations	We have obtained an understanding of the legal and regulatory framework applicable to the Council and made specific inquiries with management and Those Charged with Governance in respect of any instances of noncompliance with laws and regulations.
Written representations	We have requested certain written representations from management in accordance with ISA (UK) 580. The draft management letter of representation is provided in Appendix A.
Completion, review and reporting	<p>We have undertaken sufficient review procedures to ensure our audit complies with the requirements of ISA (UK) 230. This includes specific work to document our consideration of the implications of the backstop arrangements on our audit and the reporting implications.</p> <p>We have also considered whether any matters have come to our attention that we deem should be reported to Those Charged with Governance or that may be relevant to our auditor's report. Such matters may include misstatements identified in the draft financial statements or internal control recommendations.</p> <p>As we intend to issue a disclaimer of opinion, additional quality and risk management processes have also been followed.</p>

Status of the audit

Materiality

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Misstatements in the financial statements are material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Our approach to determining materiality

Although we intend to issue a disclaimer of opinion on the financial statements because of the backstop arrangements, we are required to determine materiality and communicate this to the Audit and Corporate Governance Committee.

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Committee.

Judgements on materiality are made considering surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material. The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial. We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

For 2023/24 we consider that gross revenue expenditure is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We have set a materiality threshold of 2% of gross revenue expenditure which equates to £ 29.8 million (£30.9 million in 2022/23). We have then applied 60% as performance materiality, equating to £17.9 million (£18.6 million) and our clearly trivial threshold is £895k (£900k).

03

Significant findings

Significant findings

Background and modification of the audit opinion

As a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the effects, or potential effects on the financial statements of the lack of sufficient appropriate evidence are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the introduction of the backstop arrangements which require the Council to publish its audited 2023/24 financial statements by 28 February 2025.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention difficulties, our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under The Local Audit and Accountability Act 2014 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.

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.

The Council published its draft financial statements for 2023/24 on 9 January 2025. As a result, the public inspection period only ends on 19 February 2025. We have not received any question or/objections to the accounts to date. However, there is a risk that if we do receive an objection we do not have sufficient time to complete the considerations we are required to carry out to determine

if the objection could materially impact the accounts by the backstop deadline of 28 February 2025. In such an event we would be required to delay issuing the audit opinion.

Significant matters discussed with management

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

- **Implications of the backstop arrangements:** our initial discussions with the Council, based off initial indicative backstop guidance, concluded that we would complete the 2023/24 audit by the initially proposed May 2025 backstop deadline. Following the release of final guidance which revised this deadline to 28 February 2025, we discussed with management the implication of this new guidance, ultimately meaning the opinion on the 2023/24 audit would be disclaimed.
- **Implementation of IFRS16:** IFRS16 will be implemented for the first time in the 2024/25 Statement of Accounts. Although not relevant to the 2023/24 audit, we discussed the challenges the Council should expect to face based on our learning from NHS audits to assist the Council in its preparations.
- **Amendment to the draft accounts relating to pensions** – Soon after publishing the draft accounts, officers informed us of their approach to accounting for their valuation as an admitted body to the Camden Pension Fund assets and liabilities. We challenged their approach with reference to the requirements of the relevant accounting standards and associated guidance. As a result, the Council has amended the draft accounts. We summarise these changes on the next slide.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error.

Significant difficulties during the audit

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

Significant findings

Summary of amendments to the financial statements

The Council's S151 Officer authorised the Council's draft financial statements for issue on 9 January 2022.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Corporate Governance Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

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 no unadjusted misstatements.

Details of adjustment	Comprehensive Income and Expenditure Statement		Movement in Reserves Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Unusable Reserves - Pensions Reserve Cr: Long Term Liabilities - Net Pensions Liability Impact of applying Asset Ceiling on Net Asset resulting in an increase in Net Pensions Liability	-	-	-	-		361,854 (361,854)
Dr: Unusable Reserves - Capital Adjustment Account Dr: MIRS - surplus to Earmarked Reserves Cr: MIRS – MRP Cr: Useable Reserves - Earmarked Reserves Correction to PFI element of MRP posting	-	-	828	(828)	828	(828)
Aggregate effect of adjusted misstatements	-	-	828	(828)	828	(828)

Significant findings

Summary of amendments to the financial statements.... continued

Adjusted disclosure misstatements

The following disclosure misstatements were identified and corrected by the management during the audit:

Reclassification in Note 17 Short Term Debtors - Management made a disclosure adjustment to reclassify £5,284k from 'Rent Arrears' to 'Other Entities and Individuals'.

Amendments to Note 7 Adjustments Between Accounting Basis and Funding Basis - Management made amendments to the 'Revaluation gains on property plant and equipment', 'Movements in the market value of investment properties' and 'Non-current assets written out on disposal' lines within Note 7 so that they were consistent with disclosures elsewhere within the accounts.

Reclassification within Note 22 Unusable Reserves - Management made an adjustment to reclassify £11,284k from 'Repayment of loans from capital receipts' to 'Use of capital receipts to finance capital expenditure' between the draft and final versions of the accounts.

Cash flow correction within Note 23 Cash Flows From Operating Activities - Management passed a correction to transfer £16,132k from the 'Revaluations' line to the 'Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised' line between the draft and final versions of the accounts.

Amendments to related parties disclosures - Between the draft and final versions of the accounts, management made an additional related parties disclosure in relation to Camden and Islington NHS Trust. Furthermore, six related parties (and associated related party transactions) which were disclosed within the draft accounts were removed within the final accounts.

04

Value for money arrangements

Value for money arrangements

The framework for Value for Money arrangements work

We are required to form a view as to 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 to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 is the fourth audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report. The introduction of the backstop arrangements does not alter our responsibilities in relation to Value for Money arrangements work.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **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 approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified, we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle, and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include:</p> <ul style="list-style-type: none"> • 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; and • interviews and discussions with officers and Members.
Additional risk-based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none"> • significant weaknesses identified and our recommendations for improvement; and • emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

We include our draft VFM commentary on the next slides.

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

Overall commentary on Financial Sustainability

Background to financial sustainability in 2023/24

Following a year of significant financial challenges fuelled by inflation and political uncertainty fuelled largely by conflict in Ukraine, the Council entered 2023/24 amidst a national cost of living crisis. Economic and political instability was fuelled by further global conflicts.

Camden has a socially diverse population hailing from varying socio-economic backgrounds. Given the global economic and political climate, the demand placed on the Council to provide frontline services to support its residents continues to increase during a prolonged period of significant government funding reductions.

As with previous years, the Council entered 2023/24 facing significant uncertainty in the level of funding and support it would receive from central government. However, in the face of this uncertainty, the Council delivered a marginal underspend of £0.26 million for the year in the General Fund and an overspend of £1.62 million in the Housing Revenue Account (HRA).

In addition, 2023/24 saw capacity addition in the finance team.

The Council's financial planning and monitoring arrangements

In January 2023 Cabinet agreed the Council's new Medium Term Finance Strategy (MTFS) including the need to deliver £27 million of savings to help address the Council's medium term budget gap. The budget setting for 2023/24 was concluded at the Cabinet meeting in February 2023. The net budget for 2023/24 was £226.8 million.

The Council achieved a balanced budget for 2023/24 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 4.99% for 2023/24, including 2% for the social care precept.

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.

We have reviewed the yearend financial outturn reports presented to the Cabinet in July 2024, the outturn position of General Fund was £306.95 million as against the updated year end budget of £307.21 million, i.e. an underspend of £0.26 million for the year in the General Fund and an overspend of £1.62 million in the HRA.

The Capital Programme expenditure budget for 2023/24 was set at £296 million however the actual spend for the year was £231 million which represented 78% of the total budget. The capital programme under spent by £65 million (£20 million for General Fund and £45 million for HRA) which the Council attributes to delays and slippages relating to the complexity of issues facing capital projects.

The outturn position in the General Fund for 2023/24 is largely derived by significant overspends across large part of council services mitigated by non-departmental interest on cash balance and investments. This interest is one off and the result of the inflationary increases experienced across the economy over the year. The HRA overspent by £1.62 million driven by increased costs for insurance, repairs, and the continuing work to tackle damp and mould across the housing estates. These costs have been offset on part by a reduction in energy costs, following the significant increases in the prior year.

We have reviewed a sample of the reports presented for 2023/24. These reports were detailed and comprehensive and incorporated monitoring of the revenue budget, the capital programme, and a wide range of other financial measures.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability - continued

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

In January 2023 Cabinet agreed the Council's new Medium Term Financial Strategy including £27 million of savings to help address the Council's medium term budget gap. The Council anticipated a budget gap of between £35-40 million on the General Fund 2024/25 and a further £10 million by 2025/26. In support of the Council's financial resilience Members agreed to increase the Council's general reserve balance by £1.5 million a year over the medium term. This means that the general reserve balance is forecast to increase to £21.4 million by 2027 which is estimated to be 4.5% of net service expenditure.

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. The cost pressures that the Council experienced in 2023/24 are likely to remain over the medium term as inflation remains high. The expected inflationary impacts on budgets were factored into the Council's MTFS and help to inform the level of savings needed in both the General Fund and the HRA to close the expected medium term budget gap

Options for savings are discussed and challenged at management meetings including Corporate Management Team (CMT). Recommendations for budget savings as part of an MTFS are reported to Cabinet and then Council and scrutiny committees for Member challenge and decisions. Camden has a fair record of savings delivery, which is evident by achievement of 90% of planned saving of £31.6m during the MTFS period 2019/20 to 2022/23. In the current MTFS from 2023/24 to 2025/26, the saving targets for the first year is £13.6 million and the Council forecasts delivery of £11.7 million.

Against such an uncertain backdrop, the Council continues to be challenged by a tough financial environment. In the new MTFS strategy for 2023/24 to 2025/26, the Cabinet agreed number of budget savings to ensure that the Council remained financially resilient and was able to agree a balanced budget.. 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.

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 identifies the planned saving requirements for future 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 such as budget setting guidance, planning report, revenue estimate and council tax settings and MTFS working papers. Our review confirmed that the documents were comprehensive and detailed to support the budget preparation process.

Based on our work we are satisfied that the Council has in place the arrangements we would expect to plan and manage its resources to ensure it can continue to deliver its services.

VFM arrangements

Governance

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



VFM arrangements – Governance

Overall commentary on Governance

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, Directorate Management Teams (DMTs) and Corporate Management Team (CMT). The PRR includes, a detailed 'Risk on a Page' articulated for each principal risk and helps the 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 internal 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 2023/24, the Head of Internal Audit concluded that moderate assurance – which indicates adequate and effective overall arrangements for the Council's systems of internal control, risk management and governance, 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 is consistent with our knowledge of the Council.

Council arrangements for budget setting and budgetary control

The 2023/24 budget reports were approved in February 2023, setting out the estimates of the financial challenge for the respective financial year. The estimates were updated regularly throughout 2023/24 and the likely financial position for the 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's 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 Executive Director of Corporate Services. The budget setting module is reconciled to the agreed cash-limit and budget reports are prepared and given to the respective Service Management Team to agree on. Finally, a summary of the budget is recommended to Members in January/Feb for debate and approval.

VFM arrangements – Governance

Overall commentary on Governance - continued

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 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 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.

Financial Reporting : From 2021/22 onwards, 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. The quality of the draft financial statements produced by the Council had also improved in terms of required disclosures and compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Based on our work we are satisfied that the Council has in place the arrangements we would expect in respect of 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

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.

Over the period, the Council has revised its approach to understanding performance as an organisation through developing an insight and accountability framework, which seeks to identify the different roles data plays to understand:

- The performance of services in delivering key operational priorities (service, DMT and corporate performance reporting)
- The impact and influence the Council has, and the role partners and stakeholders play, in supporting the delivery of the community strategy; and
- The outcomes and experiences of residents and communities (the wellbeing index).

During 2023/24, the focus of performance and data services was shifted towards giving a clearer view of our influence and impact on delivery of Council's community strategy in the long term and is part of developing an improved evidence base for future planning.

The Council's arrangements for effective partnership working

The Council's insight and accountability framework seeks to understand the 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 delivery 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 involves its members through various methods including regular meetings, Councillor advice surgeries held within wards, opportunities to engage on local issues through consultations and surveys and enabling residents to directly interact with their elected representatives on matters affecting their neighbourhood.

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 (CSO) describe the process for buying goods or services on behalf of the Council. The CSOs 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 its use of resources.

05

Audit fees

Audit fees

Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of London Borough of Camden for the year ended 31 March 2024, and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the current and prior periods, are outlined below.

Fees for work as the Council's appointed auditor

PSAA set the scale fee for the Council's 2023/24 audit at £417,142 . They have yet to determine an appropriate fee to carry out the procedures required to issued a disclaimed audit opinion. Our current estimate of the fees we propose is 40-50% of the scale fee, for carrying out:

- The procedures outlined in this report to disclaim the audit
- The full value for money reporting responsibilities; and
- Review and consideration of the pensions issue that officers informed us about.

Once PSAA have made their determination we will discuss and agree our final fees with the Executive Director of Corporate Services.

06

Confirmation of our independence

Confirmation of our independence

Independence

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

Prior to the provision of any non-audit services, Suresh Patel will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Council in the first instance.

Appendices

- A: Draft management representation letter
- B: Draft audit report
- C: Key Communication points
- D: Forthcoming accounting and other issues

Appendix A: Draft management representation letter

Forvis Mazars
30, Old Bailey
London
EC4M 7AU

[Date]

Dear Suresh,

London Borough of Camden - Audit for Year Ended 31 March 2024

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 2024. I note that you intend to intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

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 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 to obtain audit evidence.

I confirm as Executive Director of Corporate Services (S151 officer) 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.

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, Cabinet and committee meetings, have been made available to you.

Appendix A: Draft management representation letter

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 current and fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

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 Council 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.

Fraud and error

I acknowledge my responsibility as Executive Director of Corporate Services (S151 officer) 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:

Appendix A: Draft management representation letter

- 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:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - 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 and intangible assets and investments 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.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 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.

Appendix A: Draft management representation letter

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.

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.

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 faithfully,

[signature]

Jon Rowney

Executive Director of Corporate Services(S151 officer)

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

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of London Borough of Camden ("the Council") for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Accounts and Collection Fund statement 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 2023/24.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

Responsibilities of the Executive Director of Corporate Services for the financial statements

As explained more fully in the Statement of the Executive Director of Corporate Services' Responsibilities, the Executive Director of 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 2023/24, and for being satisfied that they give a true and fair view. The Executive Director of Corporate Services is also responsible for such internal control as the Executive Director of 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 of Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 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 of Corporate Services is responsible for assessing each year whether it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Appendix B: Draft audit report

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

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.

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.

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 2024. We have nothing to report in this respect.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's 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, and to report where we have not been able to satisfy ourselves that it has done so. 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 November 2024.

Appendix B: Draft audit report

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.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

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 the National Audit Office (NAO) has communicated the work we are required to undertake to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

Suresh Patel

Key Audit Partner

For and on behalf of Forvis Mazars LLP

30 Old Bailey,
London,
EC4M 7AU

Appendix C: Key communication points

Communication

We value communication with the Governance, Audit, Risk Management and Standards Committee as a two-way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy and Completion Report; and
- Our Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate. We have taken the decision to report to you all of the matters which we would usually report in our Audit Strategy Memorandum and Audit Completion Report, within this single Audit Strategy and Completion Report given the nature of the backstop arrangements and the impact upon our audit.

Key communication points at the planning and completion stage of our audit communicated our Audit Strategy and Completion Report

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit and the effects of the backstop arrangements;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements;
- Fees for audit and other services.

- Significant deficiencies in internal control;
- Significant findings from the audit including any significant matters discussed with management and significant difficulties, if any, encountered during the audit;
- Summary of misstatements and other corrections made to the draft financial statements;
- Management representation letter; and
- Our proposed draft audit report.

Appendix D: Forthcoming accounting & other issues

New standards and amendments

The information provided on this page outlines forthcoming amendments to existing IFRS and the issuance of new standards. How these are adopted and adapted into the Code of Practice on Local Authority Accounting is yet to be determined and is subject to the approval of the Financial Reporting Advisory Board (FRAB).

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

Appendix D: Forthcoming accounting & other issues

New standards and amendments (continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)

The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)

The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (Issued June 2020)

IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments (Issued December 2021)

The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

Contact

Forvis Mazars



Suresh Patel

Key Audit Partner
Tel: +44 7977 261873
suresh.patel@mazars.co.uk



Rajesh Arora

Senior Manager
Tel: +44 7989 723814
Rajesh.arora@mazars.co.uk

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