



Auditor's Annual Report
London Borough of Camden – year ended 31 March 2024

February 2025

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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 year ended 31 March 2024. 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.



Opinion on the Council's financial statements

We issued our audit report on 27 February 2025. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was 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 were 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.

Opinion on the Pension Fund financial statements

We issued our audit report on 27 February 2025 and it included a qualified opinion. This was a result of the prior year disclaimed opinion and our inability to obtain sufficient assurance over the prior year comparator information in the 2023/24 pension fund accounts.



Value for Money arrangements

We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, we are required to complete a programme of work on the Council's Whole of Government Accounts return and report to the group auditor in line with their instructions. The NAO are yet to provide confirmation on the approach to selecting sampled components. Without this information we are unable to complete our work and issue our certificate which concludes the audit.

The Local Audit and Accountability Act 2014 outlines our additional powers and duties appointed auditor of the Council. These include issuing a report in the public interest, written a recommendations, application for a court declaration, issuing an advisory notice, issuing an application for judicial review or receiving any objections. We received one objection to the accounts which are currently completing our considerations, but we have not exercised any of these additional powers.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

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. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023/24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued 27 February 2025, we have not expressed an opinion on the Council's financial statements. However, for the Pension Fund accounts we issued a qualified audit opinion. This was because we did not have sufficient assurance over the prior year comparators due to the disclaimed audit opinion on the 2022/23 Pension Fund accounts.

In Appendix A, we outline the uncorrected misstatements we identified and any internal control recommendations we made.

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.

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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 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's 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 outcome of our work 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	14	No	No	No
 Improving economy, efficiency and effectiveness	17	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

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, during 2023/24 the Council increased capacity within its 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 balances 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.

Decisions on treasury management are linked to the overall Medium Term Financial Strategy (MTFS) of the Council. The Council's MTFS is over three years with the current MTFS covering 2023/24 to 2025/26, and this was agreed in January 2023.

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.

Other reporting responsibilities

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 have received one objection to the accounts which we are currently considering and have not issued our audit certificate as a result.

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, and to carry out certain tests on the data on sampled components. The NAO are yet to provide confirmation on the approach to selecting sampled components. Without this information we are unable to complete our work and issue our certificate which concludes the audit.

05

Audit fees and other services

Audit fees and other services

Fees for our work as the Council's auditor

PSAA have not yet prescribed the fees payable for undertaking procedures to issue a disclaimed audit report. PSAA's scale fee for the 2023/24 audit of the Council is £417,142. We currently estimate that to complete our full VFM responsibilities, the minimum backstop procedures, and those above the requirement that had already been completed in good faith ahead of backstop guidance and deadlines being published, to be approximately 50-60% of the scale fee for the Council. This includes the additional time required to consider the objection to the accounts. We will discuss and agree our final fees position with the Executive Director of Corporate Services before seeking approval from PSAA.

Fees for our work as the Pension Fund auditor

PSAA set the scale fee for 2023/24 as £69,672. However, as we have carried out work on the prior year comparators to enable us to issue a qualified opinion (rather than another disclaimed opinion if we had not carried out the additional work) we are proposing the following final fees.

	2023/24
Scale fee set by PSAA	£69,672
Additional fees:	
1. Revised auditing standards (ISA315 revised)	£7,840
2. Testing level 3 investments	£5,000
3. Prior year comparators testing	£35,000
Total fees	£117,512

Notes

1. A revised auditing standard (ISA 315R) applies to the 2023/24 audit of the Pension Fund. The revised standard increases the work auditors are required to undertake to document, understand and assess the key processes that the Fund uses to prepare the financial information that supports the financial statements. The additional fee we have proposed is in line with the guidance issued by PSAA.
2. As reported, the Fund misclassified some of its investments as level 2 rather than level 3. As a result, we were required to carry out additional audit procedures.
3. As part of rebuilding assurance, we have carried out audit testing on the material prior year comparators in the Net Asset Statements. This is largely related to the valuation of the fund's investments as at 31 March 2023, some of which have been reclassified as level 3, requiring the appropriate audit procedures.

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year

Appendices

Appendix A: Further information on our audit of the Council's financial

Appendix B: Further information on our audit of the Pension Fund financial

Appendix A: Further information on our audit of the Council's financial Statements

Summary of uncorrected misstatements

We have not identified any unadjusted misstatements in respect of the Council.

Internal control observations for the Council

We have not come across any internal control observation during the course of audit.

Follow up on previous year recommendations for the Pension Fund

There was no internal control observation brought forward from 2022-23, which needed to be followed-up during the 2023-24 audit period.

Appendix B: Further information on our audit of the Pension Fund's financial statements

Significant risks and audit findings

As part of our audit of the Pension Fund, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Significant Risk 1 : Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The unpredictable way in which such override could occur means there is a risk of material misstatement due to fraud.</p>	<p>Audit Response We addressed this risk by carrying out audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>Conclusion We have completed our planned procedures and have no matters to report in respect of the risk of this risk.</p>
<p>Significant Risk 2 : Valuation of investments within level 3 of the fair value hierarchy The Fund has reclassified £214.6 million of level 2 investments to the level 3 fair value hierarchy. Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>	<p>Audit Response We addressed this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • confirmed that the investment valuations disclosed in the accounts are consistent with quoted prices taken from active markets; • obtained confirmations of valuations directly from investment fund managers and agreed their valuations to the figures disclosed in the accounts; • obtained fund manager ISAE 3402 Control Reports, confirming that the assets have been independently valued and reviewing for any exceptions which may impact the Pension Fund's investment asset valuations to inform further procedures if necessary (we are not relying on these reports); and • agreed the Pension Fund's share of the fund to the fund's net assets held within their audited financial statements. <p>We have performed this work for both 2023/24 (current year) and 2022/23 (prior year) as part of our process for rebuilding assurance on the opening balances.</p> <p>Conclusion Following the Fund reclassifying £214.6 million of its level 2 investments to level 3, we have completed our planned procedures. In addition to the disclosure amendments regarding the fair value hierarchy we have also identified misstatements for both 2022/23 and 2023/24 of £5.4 million and misstatements, respectively. These relate to differences between the valuation of investments disclosed in the financial statements and external confirmations provided by fund managers. Management has elected not to correct these misstatements, and we have reported these as uncorrected misstatement.</p>

Appendix B: Further information on our audit of the Pension Fund's financial statements

Summary of uncorrected misstatements for the Pension

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	Fund Account		Net Asset Statement	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
DR Investment assets	-	-	2,036	
CR Gains/(losses) in investment assets				2,036
<p>These differences have been identified during our testing of the valuation of investment assets held by the Pension Fund. The Pension Fund is provided with valuations by its Custodian at year end, based on a preliminary valuation provided to the Custodian by fund managers, which it inputs into its financial statements. During our testing, we identified that the final year-end valuation confirmations provided directly to us by fund managers did not match the data input into the Pension Fund's financial statements.</p>				
Aggregate effect of unadjusted misstatements	-	-	2,036	2,036

Appendix B: Further information on our audit of the Pension Fund's financial statements

Unadjusted misstatements - prior year comparators

In carrying out procedures on the prior year comparators in the net assets statement, we identified misstatements on the same basis as the misstatements that we identified for 2023/24. Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	Fund Account		Net Asset Statement	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
DR Investment assets	-	-	5,365	
CR Gains/(losses) in investment assets				5,365
<p>These differences have been identified during our testing of the valuation of investment assets held by the Pension Fund. The Pension Fund is provided with valuations by its Custodian at year end, based on a preliminary valuation provided to the Custodian by fund managers, which it inputs into its financial statements. During our testing, we identified that the final year-end valuation confirmations provided directly to us by fund managers did not match the data input into the Pension Fund's financial statements.</p>				
Aggregate effect of unadjusted misstatements	-	-	5,365	5,365

Appendix B: Further information on our audit of the Pension Fund’s financial statements

Internal control observations for the Pension Fund

Description of deficiency

There is no reconciliation performed between the data provided by the Pension Fund to Pensions Shared Service, who input this into Altair, and the final report within Altair. This control is required as part of the process of disclosing membership data numbers into the Pension Fund’s financial statements.

Potential effects

The membership numbers disclosed within the Pension Fund’s financial statements may be incorrectly recorded.

Recommendation

The Pension Fund should implement a process which ensures that the data provided to Pensions Shared Service is reconciled to the data within Altair and notes any discrepancies to be investigated. This will ensure that the data from Altair that is used to populate the membership disclosure in the accounts is accurate.

Management response

Management is aware that the reconciliation between their internal pension system and their payroll should occur and are planning to implement this when the payroll system is modified in 2025/26.

Appendix B: Further information on our audit of the Pension Fund’s financial statements

Follow up on previous year recommendations for the Pension Fund

Description of deficiency

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

Potential effects

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

Recommendations to

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

2023/24 update - outstanding

In 2021/22, management accepted the recommendation and stated they will implement a formal policy for system access reviews for all non-standard users. They deemed the risk of the Oracle system being accessed inappropriately and fraudulently is low but would look to introduce a formal policy for 2025/26. Therefore, as of 2023/24, this is yet to be implemented.

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