



Auditor's Annual Report
London Borough of Camden – year ended 31 March 2025

27th February 2026

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Our reports are prepared in the context of the ‘PSAA Statement of Responsibilities of Auditors and of Audited Bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to the London Borough of Camden. It has been prepared for the sole use of the Audit and Corporate Governance Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

01

Introduction

Introduction

Purpose of the Auditor's Annual Report

Our responsibilities as external auditor's of the Council 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'). Our Auditor's Annual Report (AAR) summarises the work we have undertaken for the year ended 31 March 2025. 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.

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 financial statements

We issued our audit report on 25 February 2026. 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.



Value for Money arrangements

We have not identified 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.



Reporting to the group auditor

The National Audit Office (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. We have yet to complete our work on the Council's WGA submission, in line with the group instructions issued by the NAO. We anticipate reporting that the WGA submission is consistent with the audited financial statements.



Wider reporting responsibilities

We are currently dealing with one objection to the 2024/25 accounts. Section 4 provides further details.

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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 2024/25 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 on 25 February 2026, we have not expressed an opinion on the Council's financial statements.

However, we have completed the audit of the Pension Fund, obtained sufficient and appropriate audit evidence, and issued an unqualified opinion on the financial statements in our audit report dated 25 February 2026.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A for the Council and in Appendix B for the Pension fund. In these appendices we also outline the uncorrected misstatements we identified and internal control recommendations we made.

03

Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.



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



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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

As outlined on page 12 we have not identified any risks.

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 body 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 2024/25

Camden has a socially diverse population hailing from various 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.

The Council entered 2024/25 amidst a national cost of living crisis and housing pressures following a year of significant financial challenges fuelled by inflation and geo-political uncertainty due to global conflicts. It also faced significant uncertainty in the level of funding and support it would receive from central government. In the face of this uncertainty, the Council delivered a £22.8 million overspend for the year in the General Fund and an overspend of £3.2 million in the Housing Revenue Account (HRA).

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 £31 million of savings to help address the Council's medium term budget gap. The budget setting for 2024/25 was concluded at the Cabinet meeting in February 2024. The net revenue budget for 2024/25 was £272 million.

The Council achieved a balanced budget for 2024/25 by reviewing several of the MTFS workstreams to identify areas where it could achieve savings. The Council conducted an Equality Impact Assessment (EIA) on the setting of the revenue budgets and proposed an increase in council tax by 4.99%, which included a 2.99% rise for general council funding and a 2% Adult Social Care Precept.

Officers reported regularly to Cabinet and the Council 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 2025, the outturn position of General Fund was £304 million as against the updated year end budget of £281.2 million, i.e. an overspend of £22.8 million for the year in the General Fund and an overspend of £3.2 million in the HRA. The Council had to drawdown from the General Fund reserves and the Housing Revenue Account to cover these overspends.

The Capital Programme expenditure budget for 2024/25 was set at £345.75 million however the actual spend for the year was £256.23 million which represented 74% of the total budget. The capital programme under spent by £89 million which the Council attributes to delays and slippages relating to the complexity of issues facing capital projects. The suggested profiling for 2025/26 onwards takes account of these slippages.

The outturn position in the General Fund for 2024/25 was largely driven by significant overspends in two specific service areas: Temporary Accommodation and Children Social Care services, which have a combined overspend of circa £32m in 2024/25. We have reviewed a sample of the reports presented to the Cabinet during 2024/25. These reports were detailed and comprehensive and incorporated monitoring of the revenue budget, the capital programme, and a wide range of other financial measures.

As at the end of 2024/25, the Council reported a balance of £18.93m in its Dedicated Schools Grant (DSG) reserve. There is a risk to the DSG reserve over the medium term if rising demand and costs for children and young people with SEN remain. We reviewed the management's projections and the associated mitigation plan through to 31 March 2026. Based on the Council's forecasts, DSG reserves are expected to reduce to £10.4 million by the end of 2025/26. The Council has set out a mitigation plan to prevent further depletion of these reserves.

For local authorities, depreciation on fixed assets is treated as a notional accounting charge and is subsequently reversed out of the accounts. In its place, a Minimum Revenue Provision (MRP) is charged to the General Fund to ensure prudent repayment of borrowing. Capital expenditure is financed from a range of sources, including borrowing, and traditionally MRP has been calculated by depreciating the Capital Financing Requirement (CFR)—the Council's underlying need to borrow—over a 25-year period.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

For 2024/25, the Council's MRP policy remained unchanged, continuing the approach applied in the previous year for both supported borrowing and borrowing under the prudential system. The MRP charged to the General Fund in 2024/25 increased to £8.28m (1.1% of the closing CFR), compared with £7.26m in 2023/24, reflecting additional borrowing undertaken to finance the Capital Strategy investment schemes approved in July 2023. Whilst the MRP charge as a percentage of CFR is relatively low, the Council has confirmed that it has had regard to statutory guidance by providing an MRP in relation to the General Fund CFR, as set out in the Minimum Revenue Provision Policy appendix to the Treasury Management Strategy 2024/25.

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

In January 2023 Cabinet agreed a three year Medium Term Financial Strategy including £31 million of savings to meet the Council's medium term budget gap. 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. As at the end of 2024/25, the Council has usable reserves -general fund c. £18.39 million and other usable reserves c. £189.64 million.

Ongoing funding decisions from central government has been coupled with rising pressures and significant growth in demand for services, most notably within health, housing and social care. The Council anticipates that the cost pressures experienced in 2024/25 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 managed to deliver 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 Council placed the saving targets of £31 million, with c. 71% of those savings delivered by 31 March 2025 and the remaining saving plans carried forward into 2025/26 for delivery of which it has identified savings worth £4m are at higher risk of delivery and require mitigation to avoid erosion of reserves going forward.

The Council's budget setting process is a detailed and comprehensive process. There are 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.

The Council's has arrangements in place to identify pressures, develop and monitor savings plans, and to maintain reserves and contingency. The overspend and concentrated service pressures represent an operational and delivery risk; management has responded by carrying forward saving plans, setting mitigation plans for DSG pressures and retaining reserves.

Based on the above 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 body 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 October 2022. An annual Principal Risk Report (PRR) is prepared in conjunction with circa 30 risk leads across the Council, Directorate Management Teams (DMTs) and the 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 a comprehensive anti-fraud strategy, affirming its 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 fiscal year the Head of Internal Audit provides an opinion based on the work completed during the year. For 2024/25, 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 2024/25 budget was approved in February 2024, setting out the estimates of the financial challenge for the respective fiscal year. The estimates were updated regularly throughout 2024/25 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 process and agreed inflation rates to be applied, agreed savings and investments.

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.

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.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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 and 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) fulfil 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 movement 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 body 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. These reports are presented to the Scrutiny Committees throughout the year. The Council has five scrutiny committees to scrutinise the various functions of the Council and decisions made by the Cabinet, Cabinet Members, and Chief Officers. Ordinarily, Scrutiny Committees each meet up to seven times a year and in addition, the chairs of the five scrutiny committees meet collectively, as the Joint Chairs of Scrutiny Committee, to co-ordinate scrutiny work collectively. The scrutiny committees operate scrutiny panels to look at specific matters in a task-and-finish style approach.

Quarterly monitoring reports are also received by the organisation, feeding up from SMTs and DMTs to CMT. The reports include key financial information including relevant financial forecasts as well as key risks and issues facing the service. Where significant budget issues are identified action is taken in year to either address budget pressures or to undertake more detailed work to understand the drivers behind unexpected budget pressures.

Since 2023/24, 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).

External inspections during 2024/25 reported strong service outcomes in several areas - for example Ofsted and CQC findings referenced by management.

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 neighborhood.

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 (i.e. specific reports used in the internal decision-making process for procurement strategies or contract awards within the Council) that outline strategies, awards and contract performance. There are also a Community Investment Programme Gateway and Board that looks at all Development and Community Investment Projects.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness reporting criteria - continued

The Council's arrangements for procurement and commissioning services - continued

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

Wider 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. [tailor as appropriate where powers have been used]

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.

On 11 August 2025 we received an objection to the Council's draft statement of accounts for 2024/25, which we are currently considering.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (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. We have yet to complete our work on the Council's WGA submission, in line with the group instructions issued by the NAO. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

05

Audit fees and other services

Audit fees and other services

Fees for work as the Council’s appointed auditor

Our fees (exclusive of VAT and disbursements) as the Council’s appointed for the year ended 31 March 2025 are outlined below.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit. The main aspects impacting upon the fee this year when compared to the prior year are higher scale fees set by PSAA and additional work to address risks. We will discuss and agree additional fees with the Section 151 officer in March 2026.

Area of work	2024/25 Proposed Fee
Code Audit Work (scale fee)	£447,548
Additional work:	
- Valuation of PPE and Investment Properties	TBC
- IFRS 16 first year implementation	TBC
- Objection to the accounts	TBC
Total fees	TBC

Fees for non-PSAA work

We have not been engaged by the Council to deliver any non-PSSA work.

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

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks. Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we did not complete our audit prior to the backstop date. Consequently, we are unable to provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit.

Risk

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.

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.

Significant Risk 2 – Valuation of net defined pension liability

The net pension liability represents a material element of the Council's balance sheet as the Council is an admitted body of the Camden Pension Fund.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2024/25.

Significant Risk 3 – Valuation of property, plant and equipment and investment property

Where a Council's assets are subject to revaluation, the Code requires that the carrying value should reflect the appropriate fair value as at the year end.

Estimation of fair values is subject to complex estimation. This creates a risk that the carrying value of those assets revalued in the year are materially mis-stated.

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

Due to the high degree of estimation uncertainty associated with valuations, we have determined there is a significant risk in this area.

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

Significant risks and audit findings (continued)

Risk
<p>Significant Risk 4 – IFRS 16 implementation IFRS 16 has been applicable from 1 April 2024 and is designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.</p> <p>The Council is required to reclassify operating and finance leases, pass related adjustments and make disclosures in its 2024/25 accounts as required by IFRS 16.</p>

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

Summary of uncorrected misstatements

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr Fees, services and other income	Extrapolated	1,471	(1,471)	-	-
Cr Expenditure					
We found an error in our sample testing where internal transactions between departments within the Council were being recognised as income and expenditure, rather than being eliminated on consolidation. Another error was staff cost reimbursement from third parties was treated as income rather than offset against payroll expenditure. Both errors lead to an overstatement of income and expenditure.					
Dr: Investment Properties	Judgemental	-	(11,627)	11,627	-
Cr: Income and expenditure in relation to investment properties and changes in their fair value					
Valuation of the 6 Liddle Street investment property understated due to profit-share rent did not include by the council in the valuation of this investment property.					
Aggregate effect of unadjusted misstatements		1,471	(13,098)	11,627	0

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

Internal control observations

1. User access to Oracle after employment termination

Description of deficiency

Oracle users (including those with privileged access) whose employment ends on a Friday retain access to Oracle until the following Monday. This means they continue to have access over the weekend despite no longer being employed by the Council.

Potential effects

Possibility of unauthorised access to Oracle after employment termination increases the risk of management override of control and fraud.

Recommendation

The Council should implement a policy and process to ensure that all user access is terminated within the day an employee’s employment ends.

Management response

Camden operates a single-sign-on with employees’ Oracle account linked to their Camden user account. User access is revoked within a day of the termination date registered in the system. This is terminated on an individual’s last day of service. The reason for the gap identified was related to Council’s HR practice when the last day of service is a Sunday, entered in Oracle as the Termination Date for calculation of pay, but last working day being a Friday. The risk of unauthorised privileged access to Oracle after last working day is remote, and Oracle is operating correctly as expected.

Since July 2025, employees use Oracle self-service to resign and enter the termination date. Whichever termination date is entered online, it will be the termination date in Oracle. Therefore, the recommendation has already been implemented and there is no possibility of user access to Oracle post termination.

2. Updated journals preparer and approver list

Description of deficiency

The Council does not maintain an up-to-date record of preparers and approvers for journals throughout the year. As a result, there is no audit trail identifying who held specific permissions at any given time.

Potential effects

Possibility of journals entered and approved by unauthorised users.

Recommendation

The Council should maintain a live the list users who can input journals and who can approve journals in the system throughout the year.

Management response

During 2024/25 and before, the Council operated tight control on access to prepare and approve journals in Oracle, which was limited to Finance staff. Requests for access require managerial approval, and system implementation is managed separately through the Oracle Systems Administration Team. Although a record of active preparers and approvers over time was not maintained, the risk of journals being entered by unauthorised users was low.

The Council has since adopted a new process for inputting and approving journals, through a system-hosted Journal Creation Form (JCF). JCF requests can be submitted by wider Oracle user groups but approver access is limited, restricted to specific Finance staff, and a list of journal approvers will be reviewed periodically throughout the year.

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

Internal control observations

3. CIPFA compliance of termination benefits disclosure

Description of deficiency

The Council prepared their termination benefits disclosure in reference to what HMRC legislations considers to be an exit package to employees, rather than the CIPFA requirements their accounts are prepared under.

Potential effects

There is a risk that the Council's disclosure for termination benefits is not CIPFA compliant.

Recommendation

The Council should prepare and review the termination benefits disclosure in reference to CIPFA requirements

Management response

The Council's Payroll system operates with regard to correctly identifying taxable pay. Payment of exit packages are accurate and the correct amount of income tax is paid.

In order to meet CIPFA Code guidance, the termination benefits disclosure is required to include Pay In Lieu of Notice and Pay In Lieu of Leave, which is now being incorporated in the working paper production.

4. Confirmations of Councillor's related party interests at year end

Description of deficiency

The Council's year end process for ensuring its related parties disclosure complete includes emailing Councillors to confirm whether their last declaration of interests return has changed. Non-response is treated as a positive confirmation. This does not represent a control to ensure the completeness of declared interests.

Potential effects

There is a risk that related parties disclosed in the accounts are incomplete if Councillors fail to respond to confirm that their register of interests is up-to date.

Recommendation

The Council needs to put in place a mechanism to obtain positive confirmations from Councillors regarding their interests at the year end

Management response

Councillors have a legal duty to declare related party interests in a live register, on which the Council placed reliance for identifying related party transactions for the accounts.

This process was previously considered appropriate for the purpose of account preparation, as Councillors are required to update the register within 28 days of a change, as part of the Members Code of Conduct.

During the audit of 2024/25, following the auditor's observation above, the auditors required positive confirmations of member declarations from all active Councillors. This was requested to confirm the accuracy of those declarations and evidence the correct reporting in the accounts.

From 2025/26, this additional confirmation will be sought as part of year-end procedures and built into governance processes going forward.

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

Internal control observations

5. Expected credit Losses forward looking considerations

Description of deficiency

As per the CIPFA code, forward looking considerations should be made when determining expected credit losses. During our testing, we observed that:

- The Council does not incorporate forward looking considerations into the process for calculating their expected credit losses for Housing benefits overpayments. The Council roll forward the provision percentages from prior years. It was noted that the rate of expected credit losses applied had remained consistent over a wide number of years (back to 2017/18). We could expect there to have been fluctuation due to changes in factors affecting recoverability rates, such as inflation, cost of living crisis, Covid-19 etc.
- For Council tax and Housing revenue account expected credit loss provisions, the council did not have sufficient documentation regarding the forward-looking considerations and assumptions that were applied by management.

Potential effects

There is a risk that expected credit losses and debtors are misstated.

Recommendation

The Council should implement more robust reviews of forward-looking considerations when determining expected credit losses and ensure that these have been documented on annual basis as part of the financial statement closure process.

Management response

The assumptions used in calculating expected credit losses were considered as reasonable by management based on the available information. However, moving forwards the Council will implement a more robust annual review process in determining expected credit loss, integrating forward-looking considerations into its working assumptions, and more explicitly document the review process as part of the financial statement closure process.

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

Follow up on previous year recommendations

1. Rent review of commercial leases (2020-21)

Description of deficiency

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

Potential effects

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

Recommendation

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

Status of implementation 2024-25 – Recommendation remains open

A similar observation was noted during the audit of 2024/25

Management response

As reported in the Management Response for the 2020-21 accounts (reported in September 2024), the rent review issue will take time to resolve. The Council has now procured and implemented a new property management system called Concerto, which is enabling the identification of future and currently outstanding lease events. This not only includes expirations and rent reviews, but also future break options for both landlords and tenants. This is assisting with future planning and strategy for individual locations.

The approach is to move to a 5-year rental cycle with reviews on the 5th anniversary to bring it more in line with the wider market. In 2024-25 we documented 79 Rent Reviews and completed 46 Lease Renewals. To date this financial year we have completed a further 54 Rent Reviews and 40 Lease Renewals. We currently have a further 35 Lease Renewals with Legal Services and with them there will be a number of historic rent reviews that will be resolved as part of the wider renewal discussions, further reducing the numbers. These outstanding events are being identified by the new Concerto system. There is a current strategy to focus on the lease renewals which have the greatest financial risk to the Council, with the top 10 expirations having a total rent roll in excess of £1m and if the tenants vacate this will have a significant impact on the Councils income.

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

Follow up on previous year recommendations

2. No regular reviews of Oracle user access rights (2021-22)

Description of deficiency

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

Potential effects

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

Recommendation

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

Management response

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

Status of implementation 2024-25 – Closed

Quarterly access reviews have been implemented for Oracle user rights

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

Follow up on previous year recommendations

3. Journals approval (2020-21)

Description of deficiency

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

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

Potential effects

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

Recommendation

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

Management response

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

Status of implementation 2024-25- Closed

A system of segregation of duties on the Oracle system has now been implemented

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

Follow up on previous year recommendations

4. Accounting of deferred income (2020-21)

Description of deficiency

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

Potential effects

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

Recommendation

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

Management response

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

Status of implementation 2024-25 – Closed

We have not found the same issues for 2024-25 during our audit testing.

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 - valuation of investments within level 3 of the fair value hierarchy The Pension Fund holds investments which are not quoted on an active market and these make up a significant proportion of the Pension Fund’s investment assets.</p> <p>As at 31 March 2025 the fair value of investments classified within level 3 of the fair value hierarchy was £368m. 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>We addressed this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • obtain confirmations of valuations directly from investment fund managers and agree their valuations to the figures disclosed in the accounts; • obtain 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 • agree the Pension Fund's share of the fund to the fund's net assets held within their financial statements. <p>We completed our planned procedures regarding the valuation of investments within level 3 of the fair value hierarchy. We identified an adjusted misstatement of £843k. These related to differences between the valuation of investments disclosed in the financial statements and external confirmations provided by fund managers.</p>
<p>Significant Risk 2 – valuation of investments within level 2 of the fair value hierarchy As at 31 March 2025 the fair value of investments classified within level 2 of the fair value hierarchy was £1,495m. The values included in the accounts are primarily based on recent trades of the investment, which are observable inputs other than quoted prices.</p> <p>The valuation risk is increased depending on the elapsed time of the most recent trade and the year end and, therefore, these valuations have been assessed as an enhanced risk</p>	<p>We addressed this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • obtain confirmations of valuations directly from investment fund managers and agree their valuations to the figures disclosed in the accounts; • obtain 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) <p>We completed our planned procedures and had no matters to report in respect of this risk.</p>

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

Summary of uncorrected misstatements for the Pension Fund

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Profit and loss on disposal of investments and changes in the market value of investments	London Borough of Pension Fund	Extrapolated	843			
Cr: Investment Assets						(843)
These differences have been identified during our testing of investment assets held by the Pension Fund. The pension fund is provided with valuation by its custodian at year end, based on preliminary valuations provided to the Custodian by fund managers, which it inputs into its financial statement. We have obtained the final year end valuation confirmations from fund managers at year end, which have variances from the balances recorded in the financial statement						
Aggregate effect of adjusted misstatements			843			843

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

Internal control observations for the Pension Fund

1. Review of work completed by experts

Description of deficiency

For the disclosure of fair value of investment assets, management used external experts to review assets and determine their classification. However, management failed to review the work the experts completed and failed to identify errors in their methodology.

Potential effects

There is a risk that work performed by management expert is not code compliant and management are unable to identify errors before information is disclosed in the accounts

Recommendation

Management should review work completed by their experts regarding fair value classifications of investment assets

Management response

Management will include a second review on fair value disclosures from Investment assets to mitigate the risk of misstatements in future.

2. Use of prior year data to determine fair value hierarchy level of investment

Description of deficiency

For the disclosure of fair value of investment assets, management had determined their classification based on data they had for the 2023/24 financial year

Potential effects

There is a risk that valuation method applied to investment assets has changed within the year and therefore disclosure in the accounts is incorrect

Recommendation

Management should ensure that fair value hierarchies of investment assets are reviewed on an annual basis

Management response

Management engaged an expert to review the 2023–24 and 2024–25 fair value disclosures in the pension fund accounts. While the 2023-24 review was undertaken, the 2024-25 accounts were being completed concurrently, and with no change in investments between years, the approach used in 2023-24 was rolled over in 2024-25. This was necessary due to the compressed timeline for completing multiple sets of accounts due to the backstop. With the backlog now resolved, this one-off issue will not recur in future years.

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

Internal control observations for the Pension Fund

3. Reconciliation of internal pension system and payroll- Design

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.

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