

The Annual Audit Letter for London Borough of Lewisham

Year ended 31 March 2015

October 2015

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Director

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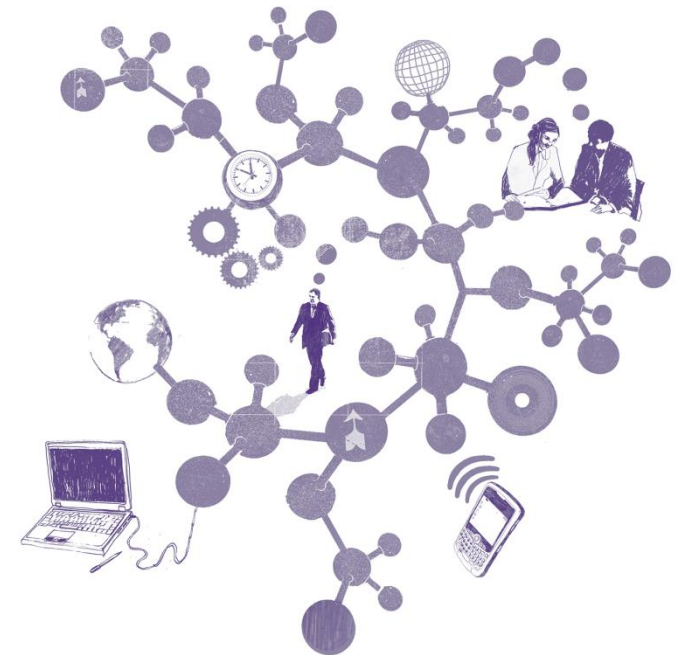
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Key messages

Our Annual Audit Letter summarises the key findings arising from the work we have carried out at the London Borough of Lewisham('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with our Audit Plan that we issued to you in June 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 17 September 2015 to the Audit Panel. The key messages reported were:

- The financial statements presented for audit were of a good quality overall. We did not identify any misstatements affecting the Council's net expenditure position
- We identified a number of classification and disclosure issues regarding the Council's accounting for property plant and equipment, including the accounting treatment of schools. This led to some material amendments to the financial statements which were accepted by the Audit Panel
- We also highlighted a number of other classification and disclosure errors which were corrected in the statement of accounts approved by the Audit Panel on 17 September
- We highlighted a number of areas to strengthen in the Council's systems of internal control.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 29 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the financial position and of the income and expenditure recorded by the Council.

Key messages continued

<p>Value for Money (VfM) conclusion</p>	<p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. We therefore issued an unqualified VfM conclusion for 2014/15 on 29 September 2015.</p> <p>The Council faces significant challenges in respect of its arrangements for financial strategy, governance and control. The Council incurred significant budget overspends at service level in 2014/15 and a similar pattern is forecast for 2015/16. While the Council was able to mitigate the overspends in 2014/15, this outcome adds to the recurring pressure on future years' budgets and is unlikely to be sustainable in the longer term. The Council has been able to increase its total level of useable reserves in each of the past two years strengthening its ability to use reserves to manage financial shocks, including budget pressures and the risk of savings plans not being delivered. However, the total level of reserves remains low in comparison to other councils of a similar size and demographic profile. The Council drew on £6.3m of one-off reserves and provisions and £10m of reserves to set a balanced budget for 2014/15 and 2015/16 respectively. The use of reserve is a managed process and the Council has not yet had to resort to a significant unplanned drawdown of reserves. However, if significant budget overspends continue for 2015/16 and beyond reserve levels are likely to decrease in future years. Based on current planning assumptions, the Council needs to identify and realise savings of some £45m in 2016/17 and subsequent years to maintain a resilient financial position.</p> <p>Overall our view is that the Council is managing risks appropriately and has adequate arrangements for securing financial resilience.</p>
<p>Whole of Government Accounts</p>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
<p>Objections from the public</p>	<p>An elector has raised objections to the 2013/14 financial statements regarding bailiff fees and other parking related matters. We are awaiting a formal response from the Council. Until the outcome of the objection has been determined, we can not issue an audit closure certificate for 2013/14 and 2014/15.</p>
<p>Certification of housing benefit grant claim</p>	<p>Our work on the Council's 2014/15 housing benefit grant claim is in progress but largely complete. We will provide a summary of the main issues from our work separately to the Council later in the year.</p>
<p>Audit fee</p>	<p>Our audit fee for 2014/15 has yet to be finalised but is not expected to differ significantly from the planned audit fee of £255,044, excluding VAT. We will notify you separately of the certification fee for 2014/15 on completion of our work. Further detail is included within Appendix A.</p>

Appendix A: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

	Planned fees 2014/15 £	Actual fees 2014/15 £	Actual fees 2013/14 £
Council audit	255,044	TBC *	255,044
Housing benefit grant certification fee	39,980	TBC **	29,043
Pension fund	21,000	21,000	21,000
Total audit fees	316,024	TBC	305,087

* An additional fee of £6,000 has been agreed with officers. Public Sector Audit appointments still have to confirm this fee variation

** To be confirmed at the conclusion of the grant certification work

Fees for other services

Service	Fees £
Audit related services *** estimated fee as work in progress	15,000 ***
Non-audit related services	10,000

Reports issued

Report	Date issued
Audit Plan	June 2015
Audit Findings Report	September 2015
Certification Report	Expected December 2015
Annual Audit Letter	October 2015



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