

The Audit Findings Report Addendum for the London Borough of Lewisham

Year ended 31 March 2023

December 2023



Audit Adjustments

Since the Audit and Risk Committee meeting on 1 November 2023, we have identified the following adjusted misstatements in the Council's financial statements which we are required to report to you.

Detail	CIES £'000	Balance Sheet £' 000	Total impact on expenditure
<p>Note 16 Creditors. The client has proposed the following amendments to collection fund creditors.</p> <ul style="list-style-type: none"> NDR from £4,467k to £4,836k. Central Government bodies from £28,791k to £29,049k. Other Local Authorities from £13,374k to £14,232k. <p>Total increase = £1,285k</p>	Dr expenditure 1,285	Cr Creditors 1,285	Total impact reduced expenditure by £1,285k
<p>Note 14. The following Collection Fund Debtors required amending:</p> <ul style="list-style-type: none"> Council Tax Payers reduced from £38,450k to £36,450k NDR Payers reduced from £2,724k to £2,598k <p>Total = £2,082k reduction in debtors</p>	Dr Income 2,082	Cr Debtors 2,082	Total impact reduced income by £2,082k.
<p>Note 10b. The client has proposed the following amendments to Other land and Buildings. The client for Broadway Theatre completed revaluation movements without taking into consideration the capital expenditure during the year. This results in a reduction of the Net Book Value by £6,457k.</p>	Dr Revaluation reserve 6,457	Cr Other Land and Buildings 6,457	No impact on expenditure
Total adjustments from the Audit Findings Report	22,405	36,369	
Total	32,229	43,193	

Unadjusted misstatements

Since submitting the Audit Findings Report to the Audit and Risk Committee, we have identified the following unadjusted misstatements in the Council's financial statements which we are required to report to you. Note that there were no unadjusted misstatements identified in the Audit Findings Report.

Detail	CIES £'000	Balance Sheet £' 000	Reason for not adjusting
We have identified two errors in our completeness testing of bank receipts. Testing identified income that related to 2022-23 that was not correctly accrued for and coded to 2023-24. The total value of incorrectly accrued income was £842k and the total extrapolation is £2,525,972	Cr Income 2,526	Dr Debtors 2,526	Misstatement is not material and is an estimate.
In our creditors sample testing we have identified one failed sample of sample amount £137k (overstatement of creditors as paid in-year). This misstatement extrapolates to £1,163k.	Cr expenditure 1,163	Dr creditors 1,163	Misstatement is not material and is an estimate.
We have identified errors in our DRC testing where there were differences in GIA identified, this was extrapolated over the DRC population. New woodlands school GIA was overstated by 611sq.m, Coopers lane school a transposition error between the GIA for two blocks resulted in the valuation changing, Rushey Green primary school there is an area of 10 sq.m which relate to the rear entrance for which floor plans could not be provided for. This results in an overstatement of the valuation.	Dr Revaluation Reserve 4,805	Cr Other Land and Buildings 4,805	Misstatement is not material and is an estimate
Unadjusted Total	Improves the Council's position by 3,689	Improves the Council's position by 3,689	

Disclosure Amendments

Since submitting the Audit Findings Report to the Audit and Risk Committee, we have identified the following additional disclosure misstatements in the Council's financial statements which we are required to report to you. The Council has agreed to adjust the accounts for each of these.

Disclosure / misclassification	Disclosure amendment	Adjustment agreed?
Disclosure	Loss on disposals of £48,091k in the Comprehensive Income and Expenditure statement did not reconcile to the disposal in Property Plant and Equipment note 10b and reported capital receipt.	✓
Disclosure	A transfer between asset categories has been recorded as a disposal and an addition in note 10b. In addition, two assets which have been classified as disposals are not true disposals. The assets have been split into various different assets as the asset as they have been re-developed into flats for housing. These should be accounted for as re-classifications.	✓
Disclosure	Note 12. The balance described as investment of £90,963k is cash equivalents on the balance sheet so is not consistent. Bank overdraft of £0.592k is netted off cash balance. Cash balances should be shown gross.	✓
Disclosure	Note 12c. The prior year comparator balances need to be corrected back to the 2021-22 audited financial statements. The expected credit loss line was deleted as no credit loss.	✓
Disclosure	<p>Note 13 d. The note incorrectly stated all of the Council's financial instrument assets are held at amortised cost as £90.9m are held at Fair Value Through Profit and Loss.</p> <p>The expected credit loss does not apply to assets that are measured at fair value. The expected credit loss disclosed of £0.025m does not make clear that additional impairment of £68m reported in note 14c, some of this is in the scope of IFRS 9.</p>	✓
Disclosure	Note 13e. The maturity analysis for PWLB and LOBO borrowing is inconsistent with carry values reported at note 12d	✓

Disclosure Amendments continued

Disclosure / misclassification	Disclosure amendment	Adjustment agreed?
Disclosure	Narrative report page 11 - Capital Budget outlook was updated to agree to the report that went to Mayor and Cabinet in July . Figures updated from £208.9m to £190.7m.	✓
Disclosure	<p>Note 27c: Exit packages agreed in year. There is a member in the '£100,001 and over' band that comes from Lewisham Homes. This should be removed as this does not relate to the Council. The number of personnel in the following bands has also been misstated:</p> <p>Band £0-£20,000 should be 62 and not 68 Band £20,001-£40,000 should be 37 and not 35 Band £40,001-£60,000 should be 22 and not 16. £60,001 to £80,000 should be 5 and not 4.</p> <p>The total number of exit packages should be 130 and not 128. (Before removing the Lewisham Homes and a GLL member)</p> <p>The total cost of Exit packages has also been incorrectly stated for the same bands as stated below:</p> <p>£0-£20,000 should be £575k and not £634k £20,001-£40,000 should be £1001k and not £968k £40,001-£60,000 should be £1,084k and not £795k. £60,001-£80,000 should be £333k and not £267k £100,001 and over should be £568k and not £707k.</p> <p>The total cost of exit packages should be £3,560k and not £3,371. (Before removing the Lewisham Homes and GLL member)</p>	✓
Disclosure	Note 35 – The Capital commitments disclosure note required updating by the Council so that only expenditure that is contractually committed is disclosed within the note.	✓

Disclosure Amendments continued

Disclosure / misclassification	Disclosure amendment	Adjustment agreed?
Disclosure	£25m of Lender Option Borrower Option Loans (LOBO) classified as Long Term Borrowing have now been repaid in 2023-24. These should therefore have been classified as short term.	✓
Disclosure	Narrative statement page 8 note (d) balances and reserves HRA balance and reserves comparative was amended from £30.3m to £32.1m as per prior year audited statements.	✓
Disclosure	Notes to EFA page 48 (i) Segmental income and expenditure Material items or income and expense 21/22 comparative figures were amended from £38,721k to £36,907k.	✓

A. Action plan – Audit of Financial Statements

In addition to the recommendations reported in the Audit Findings Report, we have identified a further recommendation. We have agreed our recommendation with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	<p>Our testing of related party interest identified two Members that were directors in companies that had not disclosed this interests in their declaration form.</p> <p>The Members did not control either the Council or the companies so no disclosure in the financial statements was required.</p>	<p>The Council need to undertake their own testing to ensure the completeness and accuracy of Members related party interest disclosures.</p>

Controls

- High - Significant effect on financial statements
- Medium - Limited Effect on financial statements
- Low - Best practice