

Annual Governance Report

London Borough of Lewisham

Audit 2007/08

Date

DRAFT

Contents

Summary	3
Financial statements and Annual Governance Statement	5
Value for money	10
Formal audit powers	11
Independence	12
Appendix 1 – Proposed Auditor's Report	14
Appendix 2 – Management Representation Letter	19
Appendix 3 – Adjusted errors in the financial statements	23
Appendix 4 –Unadjusted errors in the financial statements	25

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Summary

Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is substantially complete. It identifies the key issues that you should consider before we issue our opinion, value for money conclusion and certificate.
- 2 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

Financial statements

- 3 Our work on the financial statements is substantially complete although there are still some outstanding issues to be resolved. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Chair of the Audit Panel and the Chair of the Council and the Executive Director for Resources. Subject to the satisfactory conclusion of the outstanding issues we propose issuing an unqualified audit opinion on 29 September 2008. A draft opinion is attached at Appendix 1.
- 4 The overall conclusions, based on the work we have completed to date, are that:
 - the main financial statements present fairly the financial transactions of the Authority; and
 - the financial statements of the pension fund present fairly the financial transactions of the pension fund.
- 5 In our view the Annual Governance Statement (AGS) has been presented in accordance with proper practice specified by CIPFA/SOLACE and is consistent with our knowledge of the Council.

Value for Money

- 6 Our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We propose issuing an unqualified conclusion on the value for money conclusion on 29 September 2008, a draft report is attached at Appendix 1.
- 7 Our concerns about the Council's Internal Audit section have been well documented over the past few years and have been regularly reported to, and discussed by, the Audit Panel. We reviewed Internal Audit in early 2008 and are satisfied that sufficient progress has been made that enables an unqualified value for money conclusion to be issued this year. This represents a significant improvement on previous years where the value for money conclusion has been qualified due to weaknesses in the Council's arrangements for maintaining an effective system of internal control. We are satisfied that the Council's Internal Audit function now meets the minimum standards prescribed by CIPFA. However, the Council needs to ensure it maintains its efforts to ensure that these improvements continue and are embedded as normal practice.

Next steps

8 We ask the Audit Committee to:

- consider the matters raised in the report before recommending the financial statements for approval;
- recommend the approval of the amended accounts;
- approve the representation letter on behalf of the Council before we issue our opinion, conclusion and certificate; and
- agree the proposed action plan.

DRAFT

Financial statements and Annual Governance Statement

- 9 The Council's financial statements and Annual Governance Statement are important means by which the Council accounts for its stewardship of public funds. As Members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you adopt the financial statements and the Annual Governance Statement.
- 10 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 11 In addition, auditing standards require us to report to you:
- the draft representation letter which we are asking management and you to sign;
 - our views about the Council's accounting practices and financial reporting;
 - errors in the financial statements;
 - any expected modification to our report;
 - weaknesses in internal control; and
 - certain other matters.

Key areas of judgement and audit risk

- 12 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Our findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>The Statement of Recommended Practice (SORP) proposed some significant changes to the existing arrangements for 2007/08, including:</p> <ul style="list-style-type: none"> • replacing the Fixed Asset Restatement Account and Capital Financing Account with the Revaluation Reserve and Capital Adjustment Account; and – full implementation of FRS 25, FRS 26, and FRS 29 which changes the treatment of accounting for financial instruments. 	<p>Our audit testing of the Revaluation Reserve and Capital Adjustment Account found opening balances to be fairly stated and the movements on these accounts were in accordance with SORP requirements.</p> <p>A comprehensive financial instruments disclosure was included in the accounts as required by FRS 25, 26 and 29. Our audit testing of the disclosure found it to be fairly stated.</p>

Issue or risk	Finding
Whilst we examined the issues around the loan guarantee to Hyde Housing and the transfer of properties in the St John's estate in 2006/07, the transfer took place in 2007/08 and the accounting transactions need to be reflected in the 2007/08 accounts.	We reviewed the accounting treatment and found that the correct accounting transactions have been made for St Johns.
Group accounts were prepared for the first time in 2007/08 by the Council. The consolidation process must be robust and all required group account statements must be prepared.	Group accounts were included in the accounts and we consider that the consolidation process is sufficiently robust.
The Council has five PFI schemes in progress. The impact on the accounts would be material if any of the PFI transactions were incorrectly treated.	Assets transferred to PFI schemes in 2007/08 were treated as losses on disposal rather than as prepayments for the respective PFI schemes. (See Appendix 3 for amendments.)
The Council had two transfers of housing stock in 2007/08. The Council must correctly account for these transfers in the Housing Revenue Account.	The housing stock transfers were correctly treated as impairments in the Housing Revenue Account.
The revaluation of schools in 2006/07 led to a £310m upward revaluation, leading to a risk of material misstatement in the value of schools.	In 2007/08 the Council revalued twenty per cent of its schools and will continue to revalue one fifth of schools on its asset register each year as part of a 5-year rolling revaluation programme.
Our reviews of Internal Audit in 2005/06 and 2006/07 concluded that we could not place reliance on their work.	We reviewed Internal Audit files in early 2008 and are satisfied that sufficient progress has been achieved to issue an unqualified VFM conclusion. We also note that the internal audit function has been outsourced from 1 September 2008. We hope to be able to place greater reliance on internal audit work in the future.

Draft representation letter

13 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;

Financial statements and Annual Governance Statement

- you have approved the financial statements;
 - you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
 - you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
 - you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
 - you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
 - you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
 - you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
 - you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
 - you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
 - cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.
- 14 We need specific representations from you about the Council's intention to hold externally managed cash funds as long term investments.
- 15 Appendix 2 contains the draft of the letter of representation we seek from you.

Accounting policies and financial reporting

- 16 We consider the qualitative aspects of your financial reporting. Table 2 contains the issues we want to raise with you.

Table 2 Accounting practice and financial reporting

Issue or risk	Finding
Pension fund - fund manager assurance.	One of the Council's pension fund managers, HarbourVest, was unable to provide a SAS 70 report, an independent auditors' report on the fund managers internal controls and procedures as far as

Issue or risk	Finding
	they related to client assets and cash.

Recommendation
<p>R1 The Council needs to consider how it gets the required assurance from HarbourVest and provide this to us at next year's audit.</p> <p>We note that in response to our audit queries, HarbourVest have agreed to obtain a SAS 70 report for 2008/09.</p>

Cash flow statement

- 17 A cash flow statement was included in the draft financial statements, however the analysis between the various categories within the statement was not correct and the Council provided a revised cash flow statement to audit at the end of August 2008. We found a number of errors within this cashflow statement and a further version was produced which we have audited and is fairly stated. A summary of the adjustments is included at Appendix 3.

Adjusted errors in the financial statements

- 18 We identified errors in the financial statements (other than those of a trivial nature) and reported these to management.
- 19 Management has agreed to adjust the financial statements for the significant errors set out below. These issues are also summarised with amending accounting entries at Appendix 3.

Fixed assets transferred to PFI schemes

- 20 The Council transferred £90.786 million of fixed assets to PFI schemes during the year which were accounted for as losses on disposal with nil proceeds. The transfer of assets to PFI schemes should be accounted for as prepayments. By setting up a prepayment the Council is undertaking to amortise these amounts as expenditure over the life of the respective PFI contract to show the full value of the services received in each year.
- 21 We are satisfied these amounts are now fairly stated, although we note that the Council did not take steps to identify the values of any assets demolished as part of the PFI contribution as recommended by SORP guidance.

LSVT debt

- 22 The Council's overhanging debt relating to the Phoenix housing stock transfer was repaid with a government grant of £90.514 million. The grant should be treated as income but was incorrectly treated as a gain through the Statement of Total

Financial statements and Annual Governance Statement

Recognised Gains and Losses. The revised accounts have been amended and the Income and Expenditure Account has been credited with the grant which has then been reversed through the Statement of Movement on the General Fund Balance.

Fixed Assets

- 23 The Council's asset register includes an asset, with a value of £12.228 million, which belongs to the Southwark Roman Catholic Diocesan Corporation. This asset should be removed from the Council's asset register.

Unadjusted error in the financial statements

- 24 Management has not adjusted the financial statements for the error identified in Appendix 4. We would therefore ask you to consider whether to adjust this error. If you decide not to do so, please tell us why in the representation letter. If you believe the effect of the uncorrected error is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected error to the representation letter.

Fixed assets

- 25 A school selected for physical verification testing was demolished in February 2008 but remained on the asset register at year end. This asset, with a value of £0.813 million, should be removed from the asset register.

The audit report

- 26 We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of our draft report.

Material weaknesses in internal control

- 27 We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.
- 28 We have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed.

Other matters

- 29 There are no other matters that auditing standards require me to report to you.

Value for money

- 30 We are required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against twelve criteria specified by the Commission. Our conclusion is informed by our work on Use of Resources, an auditor scored judgement reported to the Audit Commission.
- 31 We have assessed the arrangements of the Council as adequate in all twelve areas and we therefore propose to issue an unqualified conclusion.
- 32 We reviewed Internal Audit in 2008 and were satisfied that progress is being made. In addition, in response to our concerns, the Council contracted Deloitte to deliver a substantial part of the 2007/08 plan. Our file reviews did however demonstrate some weaknesses in the quality of audit work in some of the files produced by the in-house audit team. We note that the Council has outsourced much of its internal audit function to Bentley Jennison from 1 September 2008. We hope to be able to place greater reliance on internal audit work in the near future.

DRAFT

Formal audit powers

33 I have:

- a power to issue a public interest report. I do so where I believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

34 I have not and do not propose to exercise these powers.

DRAFT

Independence

- 35** The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 36** We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 37** We communicate to you:
- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Council

- 38** We have identified no relationships that might affect objectivity and independence.

Audit fees

- 39** We reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

Table 3 **Audit fees**

	Plan 2007/08	Actual 2007/08
Financial statements and Annual Governance Statement	£326,400	£326,400
Value for Money	£81,200	£81,200
National Fraud Initiative	£1,300	£1,300
Total Audit Fees	£408,900	£408,900
Data quality	£32,300	£32,300
Grants certification work	£156,000	Work in progress TBC

- 40** The analysis above shows that we contained our audit fee within the totals you have already agreed.

Independence

41 Under the Audit Commission's advice and assistance power it may provide non-audit services to the Council.

Our arrangements to ensure independence and objectivity

42 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 4.

Table 4 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none">• do not hold a financial interest in any of our audit clients;• may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and• may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none">• the general requirement to carry out work independently and objectively;• safeguarding against potential conflicts of interest;• acceptance of additional (non-audit) work;• rotation of key staff;• other links with audited bodies;• secondments;• membership of audited bodies;• employment by audited bodies;• political activity; and• gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

Appendix 1 – Proposed Auditor's Report

Independent auditor's report to the Members of the London Borough of Lewisham

Opinion on the financial statements

I have audited the Authority and Group accounting statements, pension fund accounts and related notes of the London Borough of Lewisham for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority and Group accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Lewisham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Financial Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year;
- the financial position of the Group and its income and expenditure for the year; and

Appendix 1 – Proposed Auditor's Report

- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority and Group accounting statements, pension fund accounts and related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements, pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements, pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements, pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements, pension fund accounts and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of

the Authority as at 31 March 2008 and its income and expenditure for the year then ended;

- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Group as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Philip Johnstone

District Auditor

Audit Commission

1st Floor

Millbank Tower

Millbank

London

SW1P 4HQ

29 September 2008

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the London Borough of Lewisham made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 11 December 2007. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Philip Johnstone

District Auditor

Audit Commission

1st Floor

Millbank Tower

Millbank

London

SW1P 4HQ

29 September 2008

DRAFT

Appendix 2 – Management Representation Letter

To: Philip Johnstone
Audit Commission
1st Floor Millbank Tower
Millbank
London
SW1P 4HQ

London Borough of Lewisham - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of London Borough of Lewisham, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2008. All representations cover the Council's accounts, Group Accounts and Pension Fund accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effect of the uncorrected financial statements misstatement listed in the attached schedule is not material to the financial statements. This misstatement has been discussed with those charged with governance within the Council and the reason for not correcting this item is as follows;

- reason 1 etc;

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts and we have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

Appendix 2 – Management Representation Letter

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations

The externally managed cash funds held by the Council are classified in the balance sheet as long term investments. I confirm that these investments are intended to be held in the long term, over three years.

Signed on behalf of the London Borough of Lewisham

Signed

Councillor Anderson
Chair of Council

Janet Senior
Executive Director of Resources

DRAFT

Appendix 3 – Adjusted errors in the financial statements

Table 5 Adjusted errors in the financial statements

Description of error	Notes and lines affected	DR £000	CR £000
<p>1. Fixed assets transferred to PFI schemes</p> <p>The Council transferred £90.786 million of fixed assets to PFI schemes during the year which were accounted for as losses on disposal with nil proceeds but should have been accounted for as a prepayment against the respective PFI schemes.</p>	<p>Income & Expenditure Account Balance Sheet - Deferred Consideration Account</p> <p>Balance Sheet - Capital Adjustment Account</p> <p>Statement of Movement on the General Fund Balance</p>	<p>£90,786</p> <p>£90,786</p>	<p>£90,786</p> <p>£90,786</p>
<p>2. LSVT debt</p> <p>The Council's overhanging debt in relation to the Phoenix housing stock transfer was repaid with a central government grant of £90.514 million. The grant was treated as a gain through the STRGL but should be accounted for as income.</p>	<p>Housing Revenue Account Income & Expenditure Account</p> <p>Statement of Movement on the Housing Revenue Account Balance Sheet - Government Grants Deferred</p> <p>Balance Sheet - Government Grants Deferred</p>	<p>£90,514</p> <p>£90,514</p>	<p>£90,514</p> <p>£90,514</p>
<p>3. Fixed asset ownership</p> <p>The Council's asset register includes an asset which belongs to the</p>	<p>Balance Sheet - Fixed Assets I&E Account - Loss on Disposal</p> <p>Statement of Movement on the</p>	<p>£12,228</p>	<p>£12,228</p> <p>£12,228</p>

Appendix 3 – Adjusted errors in the financial statements

Description of error	Notes and lines affected	DR £000	CR £000
Southwark Roman Catholic Diocesan Corporation.	General Fund Balance Balance Sheet - Capital Adjustment Account	£12,228	
4. Cashflow Statement The Council produced a revised cashflow statement in September 2008.	The most significant changes are: - Other operating cash payments (decrease of £11.8m) - Government Grants (decrease of £26m) - Capital grants and other capital cash received (increase of £8.5m)		

DRAFT

Appendix 4 – Unadjusted errors in the financial statements

Table 6 Unadjusted errors in the financial statements

Description of error	Notes and lines affected	DR £000	CR £000
<p>1. Fixed asset verification A school selected for physical verification testing was demolished in February 2008 but remained on the asset register at 31 March 2008.</p>	<p>Balance Sheet - Fixed assets I&E impairment Balance Sheet - Capital Adjustment Account Statement of Movement on the General Fund Balance</p>	<p>£813 £813</p>	<p>£813 £813</p>