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# AUDIT AND RISK COMMITTEE

**Date: WEDNESDAY, 1 NOVEMBER 2023 at 7.00 pm**

**Enquiries to: Hajera Khan**  
**Email: [Committee@lewisham.gov.uk](mailto:Committee@lewisham.gov.uk)**

## **MEMBERS**

Councillor Suzannah Clarke  
Councillor Billy Harding  
Councillor Eva Kestner  
Councillor James Rathbone  
Councillor Luke Sorba  
Councillor Hau-Yu Tam  
Andrew Jones  
Mark McLoughlin  
Marcus O'Toole

**Members are summoned to attend this meeting**

**Jeremy Chambers**

A handwritten signature in black ink, appearing to read "Jeremy Chambers".

**Monitoring Officer**  
**Lewisham Town Hall**  
**Catford**  
**London SE6 4RU**  
**Date: 24 October 2023**

## ORDER OF BUSINESS – PART 1 AGENDA

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## MINUTES OF THE AUDIT AND RISK COMMITTEE

Wednesday, 13 September 2023 at 7.00 pm

### Members PRESENT:

**In Person:** Councillor Eva Kestner (Chair), Councillor Billy Harding, Councillor James Rathbone, Councillor Luke Sorba, Councillor Hau-Yu Tam, Councillor Suzannah Clarke

Independent Members Present:

**In Person:** Andrew Jones, Mark McLoughlin, Marcus O'Toole

### Officers Present:

**In Person:** Rich Clarke (Head of Assurance), David Austin (Acting Executive Director of Corporate Resources), Katharine Nidd (Acting Director of Finance), Hajera Khan (Committee Officer).

**Present Remotely:** Paul J Jacklin (Grant Thornton), Terence Madgett (Acting Chief Accountant)

**Apologies:** Independent Member Stephen Warren

### 1. Minutes

An amendment made to state Audit and Risk Committee instead of Pension Board.

The Head of Assurance updated the Committee on the action from the previous Committee meeting. He stated that one school canteen has been affected by the Reinforced Autoclaved Aerated Concrete (RAAC).

RESOLVED that the minutes of the meeting of the Audit and Risk Investment Committee held 22nd June 2023 be resolved.

### 2. Declaration of Interest

None

### 3. External Audit Update

The Committee received an update introduced by the Acting Chief Accountant on the External Audit completed by Grant Thornton. The Chief Accountant noted the progress of the audit of 2022/2023 and that the 2020/21 and 2021/22 accounts had now been signed off.

The Committee also noted progress reported by the representatives from Grant Thornton the Council's external auditors as follows:

- The Council has received the audit certificate for 2020/21.
- They are awaiting the audit certificate for 2021/22 but given that that accounts have been signed off Lewisham is progressing well compared to the rest of the country as there has been national delays.
- The 2022/2023 Audit has some delay as there has been shortage on staff, but it is on track.
- The representative from Grant Thornton stated that the new auditors KPMG who are starting next year have not contacted them yet for handover papers or files, but they are prioritising finishing the handover for the end of November.

**3.1** In response to a question, the Executive Director of Corporate Resources gave further detail into Section 114 notices and the process of tendering new audits.

RESOLVED that the report be noted.

### 4. A-FACT Annual Report

The Head of Assurance presented a review of the Anti-Fraud and Corruption Team's (A-FACT) work in the last financial year:

- The year 2022/23 represented something of a return to 'normal' for fraud referrals. After nearly three years where a significant proportion of the team's work focussed on fraud compliance with Covid support grants.
- The reduction in Covid-related workload has also meant a resumption of more preventative and governance work, including fraud awareness training and a revised counter fraud policy.
- There has been an increase in cases but there is no strong evidence that this represents an increase in the underlying level or vulnerability to fraud and the team will be recruiting an apprentice to support with capacity.
- When asked about Benefit fraud, the Head of Assurance stated that it is the Department of Work and Pensions who investigate these crimes.

**ACTION:**

The Head of Assurance to provide a report with case study information on the investigative work that the Assurance team conduct.

RESOLVED that the report be noted.



## **5. Internal Audit Charter and Quarterly Update**

### **5. Internal Audit Charter and Quarterly Update**

The Head of Assurance presented to Members giving an overview of the Internal Audit Charter and Quarterly Update.

- The Internal Audit Charter is a formal document translating the principles and objectives of the Public Internal Audit Standards into local application. This change would be for the Committee's new name to be noted as the Audit and Risk Committee instead of the Audit Panel.
- In October Lewisham Homes will be fully re-integrated to the Council. The recommendation is TIAA who are currently contracted to support the Lewisham Homes audit for 2024/25 to continue to be used to support the delivery of internal audit coverage for the former Lewisham Homes areas of responsibility. TIAA have agreed we can redeploy the audit time to Council audits without incurring additional cost.
- For Internal Audit Engagements 2022/23, there are nine high priority actions that are outstanding. Most of the audit actions have been completed as well as the IT Asset Management action from the previous Committee meeting.

Members asked questions on actions that have been noted as not satisfied, the Head of Assurance clarified that incomplete actions will be monitored regularly and will be included on the risk register if it is escalated; all actions are due by the end of December.

The Committee were asked to:

- Approve the Internal Audit Charter.
- Note the Internal Audit Progress Update.
- Approve plans for delivery of part of the 23/24 audit plan.

RESOLVED that the report be noted, and the recommendations approved.

## **6. Risk Register - Quarterly Update Q1 2023/24**

### **6. Corporate Risk Register Update Q1 2023/24**

The Committee received an update report presented by the Head of Assurance in relation to the corporate risk register.

- The report updates the Council's Corporate Risks, there are the same risks as the Corporate Risk Register for the quarter ending 30 June 2023

- Bringing in Lewisham Homes is a risk and there are two additional risks coming from Lewisham Homes, these will be fully incorporated into the next committee report.
- There is currently work being done to build out the software with information, reflecting greater capacity to identify, organise and track details related to risks, controls, and actions.

Members asked if they could go over the lessons learned from the Oracle system failure, the Executive Director of Corporate Resources stated it can be bought in December as an item once the audit is complete in November, as this will provide further assurance of the Council's handling and response to the matter.

RESOLVED that the Corporate Risk Register be noted.

The meeting ended at 20:41.



## Audit and Risk Committee

### Declarations of Interest

**Date:** 1 November 2023

**Key decision:** No

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** The Director of Finance and the Chief Accountant

### Outline and recommendations

Members are asked to declare any personal interest they have in any item on the agenda.

## 1. Summary

1.1. Members must declare any personal interest they have in any item on the agenda. There are three types of personal interest referred to in the Council's Member Code of Conduct:

- (1) Disclosable pecuniary interests
- (2) Other registerable interests
- (3) Non-registerable interests.

1.2. Further information on these is provided in the body of this report.

## 2. Recommendation

2.1. Members are asked to declare any personal interest they have in any item on the agenda.

### 3. Disclosable pecuniary interests

3.1 These are defined by regulation as:

- (a) Employment, trade, profession or vocation of a relevant person\* for profit or gain
- (b) Sponsorship –payment or provision of any other financial benefit (other than by the Council) within the 12 months prior to giving notice for inclusion in the register in respect of expenses incurred by you in carrying out duties as a member or towards your election expenses (including payment or financial benefit from a Trade Union).
- (c) Undischarged contracts between a relevant person\* (or a firm in which they are a partner or a body corporate in which they are a director, or in the securities of which they have a beneficial interest) and the Council for goods, services or works.
- (d) Beneficial interests in land in the borough.
- (e) Licence to occupy land in the borough for one month or more.
- (f) Corporate tenancies – any tenancy, where to the member’s knowledge, the Council is landlord and the tenant is a firm in which the relevant person\* is a partner, a body corporate in which they are a director, or in the securities of which they have a beneficial interest.
- (g) Beneficial interest in securities of a body where:
  - (a) that body to the member’s knowledge has a place of business or land in the borough; and
  - (b) either:
    - (i) the total nominal value of the securities exceeds £25,000 or 1/100 of the total issued share capital of that body; or
    - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person\* has a beneficial interest exceeds 1/100 of the total issued share capital of that class.

\*A relevant person is the member, their spouse or civil partner, or a person with whom they live as spouse or civil partner.

### 4. Other registerable interests

4.1 The Lewisham Member Code of Conduct requires members also to register the following interests:

- (a) Membership or position of control or management in a body to which you were appointed or nominated by the Council
- (b) Any body exercising functions of a public nature or directed to charitable purposes, or whose principal purposes include the influence of public opinion or policy, including any political party
- (c) Any person from whom you have received a gift or hospitality with an estimated value of at least £25.

## 5. Non registerable interests

- 5.1. Occasions may arise when a matter under consideration would or would be likely to affect the wellbeing of a member, their family, friend or close associate more than it would affect the wellbeing of those in the local area generally, but which is not required to be registered in the Register of Members' Interests (for example a matter concerning the closure of a school at which a Member's child attends).

## 6. Declaration and impact of interest on members' participation

- 6.1. Where a member has any registerable interest in a matter and they are present at a meeting at which that matter is to be discussed, they must declare the nature of the interest at the earliest opportunity and in any event before the matter is considered. The declaration will be recorded in the minutes of the meeting. If the matter is a disclosable pecuniary interest the member must take not part in consideration of the matter and withdraw from the room before it is considered. They must not seek improperly to influence the decision in any way. **Failure to declare such an interest which has not already been entered in the Register of Members' Interests, or participation where such an interest exists, is liable to prosecution and on conviction carries a fine of up to £5000**
- 6.2. Where a member has a registerable interest which falls short of a disclosable pecuniary interest they must still declare the nature of the interest to the meeting at the earliest opportunity and in any event before the matter is considered, but they may stay in the room, participate in consideration of the matter and vote on it unless paragraph 6.3 below applies.
- 6.3. Where a member has a registerable interest which falls short of a disclosable pecuniary interest, the member must consider whether a reasonable member of the public in possession of the facts would think that their interest is so significant that it would be likely to impair the member's judgement of the public interest. If so, the member must withdraw and take no part in consideration of the matter nor seek to influence the outcome improperly.
- 6.4. If a non-registerable interest arises which affects the wellbeing of a member, their, family, friend or close associate more than it would affect those in the local area generally, then the provisions relating to the declarations of interest and withdrawal apply as if it were a registerable interest.
- 6.5. Decisions relating to declarations of interests are for the member's personal judgement, though in cases of doubt they may wish to seek the advice of the Monitoring Officer.

## 7. Sensitive information

- 7.1. There are special provisions relating to sensitive interests. These are interests the disclosure of which would be likely to expose the member to risk of violence or intimidation where the Monitoring Officer has agreed that such interest need not be registered. Members with such an interest are referred to the Code and advised to seek advice from the Monitoring Officer in advance.

## 8. Exempt categories

- 8.1. There are exemptions to these provisions allowing members to participate in decisions notwithstanding interests that would otherwise prevent them doing so. These include:-
- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
  - (b) School meals, school transport and travelling expenses; if you are a parent or

guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor

- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception).



## Audit & Risk Committee

### External Audit Update

**Date:** 01 November 2023

**Key decision:** No

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Terence Madgett, Chief Accountant

### Outline and recommendations

The purpose of this report is to:

- Provide an update to the members of the committee on the progress of the 2022/23 audit of the accounts.
- Provide an update on the 2021/22 Audit Findings Report recommendations.
- Note Grant Thornton's 2022/23 Audit Findings Reports.

The committee are recommended to

- Note the contents of the report.

## **1. Summary**

The purpose of this report is to provide an update to the members of the Audit Panel on the 2022/23 audit of the accounts.

The report also provides members with the management action responses to the auditor recommendations made as part of the 2021/22 external audit.

Finally, the report includes the 2022/23 Audit Findings Reports (AFRs) for the Council and Pension Fund audits, produced by Grant Thornton.

## **2. Recommendations**

The Audit & Risk Committee are recommended to note the contents of the report.

## **3. Policy Context**

The report is consistent with the Council's policy framework, supporting the priorities set out in the Corporate Strategy 2022-26. It contributes towards all Council priorities through effective management of finance.

## **4. Background**

The draft 2022/23 Statement of Accounts were published on the Council's website at the beginning of July and the External Audit began shortly after.

The audit is scheduled to take place between July and November 2023, with the publication of the final audited accounts by 30 November 2023.

## **5. 2022/23 Audit of Accounts Update**

Grant Thornton have substantially completed the audit of the financial statements, with nearly all of the sampling work having been completed, subject to the resolution of some outstanding queries.

There have so far been six misstatements identified during the audit process that the Council has agreed to amend, these include 1 post year-end event, 2 related to Pension assets valuation, 1 asset valuation of social housing, 1 cut-off testing of income and 1 relating the employee leave accrual. These are detailed in Appendix D to in the draft 2022/23 Council Audit Findings Report.

There are numerous misclassification and disclosure amendments that the Council has agreed to make, these are also in Appendix D to in the draft 2022/23 Council Audit Findings Report.

There are 2 potential misstatements that the Council will not be amending. These are detailed at the end Appendix D to in the draft 2022/23 Council Audit Findings Report. The reason for not amending for these is that one is an extrapolation of a small error that was identified and one is a potential misstatement (not an actual error found).

Officers are still confident that the 30 November date for publication will be achieved.

## **6. 2021/22 Audit Findings Report Annual Report**

### **Recommendations**

The Audit Findings Report for London Borough of Lewisham and Lewisham Pension Fund for the year ended 31 March 2022, included an action plan. This consisted of a number of recommendations for the Council as a result of issues identified during the course of the 2021/22 audit.

Progress on these recommendations is included within Appendix A to this report and



Appendix C to in the 2022/23 Council Audit Findings Report.

The Auditor's Annual Report (VFM) for the year ended 31 March 2022, includes an action plan. This consisted of a number of recommendations for the Council following their review of the Council's arrangements for securing economy, efficiency and effectiveness. The report also included a follow up of prior year recommendations.

Progress on these recommendations is included within Appendices B and C.

## **7. 2022/23 Audit Findings Reports**

Grant Thornton, the external auditors for London Borough of Lewisham Council and Pension Fund will present the 2022/23 Audit Findings reports for the Council and Pension Fund Audits.

The Council's report is included within Appendix D and the Pension fund report will be given as a verbal update at the meeting (the report will be available after the meeting).

## **8. Financial implications**

There are none arising direct from this report.

## **9. Legal implications**

There are none arising direct from this report.

## **10. Equalities implications**

There are none arising direct from this report.

## **11. Climate change and environmental implications**

There are none arising direct from this report.

## **12. Crime and disorder implications**

There are none arising direct from this report.

## **13. Health and wellbeing implications**

There are none arising direct from this report.

## **14. Background papers**

All relevant background papers are included as appendices or hyperlinks within.

## **15. Report author(s) and contact**

Terence Madgett, Financial Accountant, 020 8314 7650,  
[terence.madgett@lewisham.gov.uk](mailto:terence.madgett@lewisham.gov.uk)

## **16. Appendices**

Appendix A: Update on Management Responses to Audit Findings Report 2021/22 Action Plan Recommendations.

Appendix B: Update on Management Responses to Auditor's Annual Report (VfM) Recommendations 2021/22

Appendix C: Update on Management Responses to Auditor's Annual Report (VfM) Recommendations 2020/21

Appendix D: Audit Findings Report 2022/23 for London Borough of Lewisham.

Appendix A

Management Update on The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2022 Action Plan – Audit of Financial Statements – Council

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
2021/22	Medium	Whilst preparing the financial statements officers identified that the balance on the Consolidated Income and Expenditure Statement did not equal the difference in reserves between 31 March 2021 and 31 March 2022. A correction journal of £2,286k was performed to ensure that the accounts balanced.	The Council should investigate how this initial imbalance arose.	Core Accounting – Final Accounts June-23 when reconciliation undertaken	Management will reinforce the rules for use of balance sheet codes to the services to reduce the chance of future imbalances occurring. A full and detailed reconciliation between the net deficit/ surplus in the CIES and the movement in net asset value in the Balance Sheet will be carried out again in 2022/23 to identify and correct any miscoding that creates any imbalances. <b>Further Management update</b> Further investigation was carried out but the detail of what caused the imbalance has not been identified. When the same reconciliation was carried out in 2022/23 a similar imbalance occurred. Management will look to bring in further restrictions over who can journal to what to balance sheet codes in 2023/24.
2021/22	Medium	Our testing identified 2 errors (total value £749k) in our testing where payments were made for capital expenditure for works completed in 2021/22 but had not been accrued for. The extrapolated error is £2,170k	Your cut off procedures need strengthening to ensure that expenditure is coded in the year in which it relates.	Core Accounting – Capital June-23 when cut-off testing undertaken	Improvements have been made in cut-off training and testing. A training session will be held specifically for Capital Project Managers to share best practise requirements and impact. This should improve the completeness of capital accruals made for 2022/23.

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
					<p><b>Further Management update</b> There were no errors found that relate to capital expenditure accruals in 2022/23 which would indicate that improvements have been made in ensuring capital expenditure is coded to the correct year.</p>
2021/22	Medium	The Council has identified 132 assets that have a nil net book value. The Council were unable to locate these assets. The assets are fully depreciated and are years old and have now been written out of the asset register.	The Council should implement processes to ensure all assets are appropriately tracked to ensure they can be located.	Core Accounting – Final Accounts Complete – process amended	<p>Assets are now being tracked and generic assets (particularly infrastructure) are no longer added to Fixed Asset Register.</p> <p><b>Further Management update</b> No further update required – Recommendation has been fully implemented.</p>
2021/22	Medium	The Adult Social Care ContrOCC system is not being updated and monitored regularly to ensure the commitments stated on the system are complete and accurate. The finance team rely on the reports from the ContrOCC system to determine outstanding commitments to be raised as creditors at year-end.	The Council should ensure the ContrOCC system is regularly updated.	Service Finance – Communities Ongoing work in progress – review latest balances for P2 – June 23	<p>There will always be an element of non-delivery on care such as Homecare as people go into hospital, decline, or do not require the service.</p> <p>Two key workstreams are being undertaken to improve the accuracy of commitments within the ContrOCC system:</p> <ul style="list-style-type: none"> <li>- A monthly reconciliation is to be created which will compare payments made on the Oracle system to the ContrOCC commitment report, this will highlight potential commitments that should not be within ContrOCC as payments are not being made.</li> <li>- Invoices on hold are also reviewed on an ongoing weekly basis to make sure commitments in the system are</li> </ul>

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
					<p>accurate to enable invoices to be processed without intervention.</p> <p>Both will help improve the accuracy of outstanding commitments and the year-end creditor.</p> <p><b>Further Management update</b> A monthly reconciliation is now undertaken which compares payments made on the Oracle system to the ContrOCC commitment report. Invoices on hold are also reviewed on an ongoing weekly basis to make sure commitments in the system are accurate to enable invoices to be processed without intervention.</p>
2021/22	Medium	The Council has significant credit balances on Council Tax and NNDR accounts due to residents and businesses. These balances have remained outstanding for several years	The Council need to take action to repay these creditors. In the instance where the residents or businesses cannot be traced and the legal time limits have expired, the Council should write back these amounts.	Resident and Business Services Ongoing work in progress – review latest balances in May-23	<p>Action will take place during Summer to proactively contact customers where details are held to refund these sums. Where contact is not made, the amounts will be written off. Should customers contact Lewisham at any time, we will write back the credit and raise a refund</p> <p>All write off balances will be reported to the Director of Finance for review and approval.</p> <p>Project due to commence in June-23</p> <p><b>Further Management update</b> The review has recently been completed for Business Rates accounts and £2m has been written back. The</p>

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
					review of Council Tax accounts will be beginning shortly.
2021/22	Medium	Schools bank accounts were not all reconciled as at 31 March 2022. Some were reconciled at an earlier date.	All school bank accounts should be reconciled as at 31 March.	Service Finance – Children’s April-23 Complete	All schools bank accounts will be reconciled as at 31st March, which is included within the Schools and Corporate Closing timetable and training. This date does not clash with the schools Easter Holiday. All 75 schools banks accounts have been reconciled as at 31st March, and their financial returns have been transferred to Oracle as at 31st May 2023. <b>Further Management update</b> No further update required – Recommendation has been fully implemented.
2021/22	Medium	Management had challenges demonstrating the Pension Fund statements reconciled directly to the ledger.	The Fund should continue to work with the custodian to improve coding so the accounts are prepared directly from the trial balance.	Treasury & Investments May-23 when transactions reconciled Complete	Management intends to improve the ledger coding structure to help demonstrate the reconciliation to the accounts. The Council continue to run all the pension fund account transactions through its ledger. The custodian will still provide the detailed breakdown of the investments, and these will be summarised on the trial balance and will reconcile to the accounts. <b>Further Management update</b> No further update required

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
2021/22	Low	Within our testing of operating expenditure on repairs and maintenance charges on Council dwellings we identified that there is no formal documentation between the Council and Lewisham Homes to confirm the nightly call out capped charge rates.	Implement a formal agreement setting out nightly capped call out charges for repairs and maintenance jobs undertaken by Lewisham Homes.	Lewisham Homes April-23 when agreement finalised	Discussions have been had between LH and LBL and no evidence can be found about the flat rate agreement for callout. Lewisham Homes proposes that callouts are paid under the same terms as their contractor supply-chain – which is callout including cost of actual work completed. A formal agreement will be put in place. <b>Further Management update</b> This recommendation has been superseded by the staff and functions of Lewisham Homes now being part of the Council.
2021/22	Low	The Exacom system used to record and track the Section 106 agreements is not fully reconciled to the general ledger. The overall difference between the Exacom listing and the General Ledger Balance in £2.7m.	The Council need to complete their work on reconciling the Exacom system with the ledger.	CIL Team Ongoing work in progress – review May-23 to confirm latest variance	The comprehensive review to reconcile Exacom to the General Ledger is ongoing and an audit of projects from 2010 to date is also being undertaken. The reconciliation process and the recording of payments on the General Ledger/Exacom is also under ongoing review. These actions will continue for 22/23 and 23/24 to provide additional accuracy. <b>Further Management update</b> No further update required
2021/22	Low	The 31 March Altair report to support membership details had not been retained. Officers were not able to run a subsequent report that detailed figures at 31 March 2022.	The Fund should retain the 31 March Membership numbers report.	Treasury & Investments May-23 when reports run & reviewed for accuracy	Membership numbers as at 31 March could not be obtained as new starters had not been set up within Altair. A significant amount of work is required to upload the data which caused delays in processing.

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
				Complete	<p>The Pensions Team will run membership reports on 31 March going forward. Note this will exclude March data as employers have until 19th April to provide this.</p> <p>Altair is a live system, so membership data will vary on an ongoing basis.</p> <p><b>Further Management update</b></p> <p>The reports for 2022/23 were run as at 31/03/23 and retained by the service. These were shared with GT during the audit.</p>

## Appendix B

Recommendation	Impact	Management Comment	By whom	Progress
<b>Financial Sustainability</b>				
<p>In the efforts to improve savings performance against target the Council should explore ways to:</p> <ul style="list-style-type: none"> <li>Encourage focused discussion by the PASC on specifically under delivering savings schemes in 2022/23.</li> <li>Undertake public consultation on the savings programme.</li> <li>Learn from successful delivered schemes via post implementation reviews.</li> <li>Savings under-delivery historically has been attributed to the Communities ASC team and therefore finance officers should work directly with that team, in a targeted and collaborative manner, to focus on specific savings that can be generated from high unit cost services within this directorate that are not currently being addressed.</li> <li>Focus on identifying recurring savings which can impact each of the four years of the MTFS.</li> </ul>	<p>Due to the track record of under-delivery of savings in recent years and expected under delivery in 2022/23 close and more frequent attention may be required to the progress of savings schemes in year so that action can be taken in a timely manner to respond to any under-delivering schemes. To maximise the success and achievability the Council could benefit from additional scrutiny and input to identifying savings in the initial savings of budget setting. Performing post-implementation reviews of savings after they have been achieved is a way the Council could ensure lessons are learned and opportunities to make further savings are maximised. Although ASC is a demand led service with high costs being a product of increasing numbers of service users, specific services with Social Care where unit costs are also high could exacerbate the overspends observed in this service. Ensure that savings identified cover the full MTFS term maximises potential savings across the medium term and reduces the pressure to identify additional savings each year by focussing on</p>	<p>This recommendation is taken in the spirit of continuous improvement and management action will focus on consideration of doing more of the steps already in place. For example:</p> <ul style="list-style-type: none"> <li>PASC will continue to carefully review the financial budget setting and monitoring reports with particular attention to progress with delivering savings.</li> <li>As we do each year, we will continue to consult internally and with the Cabinet Member for Resources and Strategy on the best approach to engagement around Budget proposals, building on the current process of discussing and inviting all Members to contribute to including the option to run a larger public consultation on the savings proposed.</li> <li>The Finance Business Partnering approach will continue to be developed with learning from recent successfully delivery service changes (captured as part of service plan reporting by each Director) and improved with the business intelligence and support using data insights and performance benchmarking to effectively target risk and opportunity.</li> </ul>	<p>Executive Director for Corporate Resources</p>	<p>The March PASC meeting is focusing on CSC – a significant overspending and high cost service.</p> <p>The detailed savings and Budget for 23/24 were submitted for pre-scrutiny in public meetings in December and January before being moved for decision.</p> <p>Progress with delivery of savings is included in the monthly monitoring to EMT and quarterly to Members. This includes key performance data for cost drivers. The narrative on exceptions in the monitor is also changing to include an assessment of risk and planned actions.</p> <p>Service planning for 23/24, which took place in March and April, included relevant benchmarks and performance indicators to track planned actions.</p> <p>The updated MTFS presented to Members in July had a four year view, despite the limited certainty with one year government funding and delayed reforms.</p>



Recommendation	Impact	Management Comment	By whom	Progress
<p style="text-align: center;">Page 10</p>	<p>identifying those which are recurring.</p>	<ul style="list-style-type: none"> <li>• Within the constraint of local government only receiving one year settlements at present, officers will continue to work on the potential for more transformational multi-year savings options learning from the work done in the larger social care services in recent years.</li> </ul>		
<p>1. The Council should develop a Workforce Plan or Strategy covering all aspects of the future workforce required for the Council to fulfil its priorities and that the Council align this framework to the existing 2022/23 budget, future budgets and MTFs to ensure they are complementary. This will ensure that the future establishment is affordable and Council priorities are met within budget constraints.</p>	<p>Ensuring the Budget, MTFs and Workforce Plan are complementary of one another will ensure that the future establishment is affordable and Council priorities are met within budget constraints.</p>	<p>In the context of local authority a single plan or strategy would not be appropriate, given the varied nature of services and the skills required. However, we can identify any common themes identified and build these into the overarching People and OD strategy which sets out our vision for our people and identifies the areas we need to focus on to achieve our ambitions. Detailed workforce planning takes part in the annual service planning process supported by finance, HR and transformation business partners. The Councils service planning framework encapsulates the areas identified within the audit. We can also seek to strengthen the guidance for managers on service planning as well as the working</p>	<p>Director of HR and OD</p>	<p>The Service Planning template has been updated and the guidance for managers has been strengthened. Strategic HR Business Partners meeting with service directors to support this aspect of their planning using workforce metrics and aligned to budgetary position/savings targets.</p>

Recommendation	Impact	Management Comment	By whom	Progress
		relationships between the relevant business partners to ensure that these three areas are appropriately aligned. Principles in relation to structural design e.g. spans of control and hierarchy fall outside of service planning, and are covered within the Council's management of change (restructure) policy.		
2. Overall the Council's arrangements to secure financial sustainability are appropriate, the Council may wish to explore ways that it can make iterative improvements to demonstrate best practice financial arrangements. These could include developing actions that could be taken, at a high level, to respond should the 'worst case' scenario included in the MTFs occur and communicating this to Members. This will ensure that the Council can respond in a timely manner should any aspects of that scenario materialise.	The Council made a small deficit in 2021/22 and the 2022/23 financial landscape is forecast to be challenging for the Council and Local Government as a result of Covid 19 challenges not matched by additional funding, rising inflation, pay increases and the cost of living crisis which could all potentially negatively impact the year-end financial position. As such it is important that the Council has robust arrangements in place to monitor finances closely and respond to issues as they emerge.	Officers bring the experience of having been consistently involved in making budget reductions each year since 2010 (gross £230m to date; including £92m reinvested to reshape service delivery and meet demand), working closely with partners in the Borough and across London, and effectively managing the Council's financial security and stability, including the use of reserves. Officers will continue to develop this experience to inform the assessment of the financial risk landscape and update the risk mitigations for these risks quarterly as part of the corporate risk management strategy. The risk register is reviewed by the Executive Management Team and PASC quarterly which will provide the opportunity for actions to be	Executive Director for Corporate Resources	Risk register reviewed by the Assurance Board in February and tabled for the Audit Panel in March 2023.  New Head of Emergency planning recruited in February and continued rehearsal and self- assessment against the agreed London wide resilience forum standards undertaken annually.  The MTFs in July forecast that no new savings would be required in 2024/25 if the 2023/24 budget remained stable. A revised MTFs will be tabled to PASC in November to consider both the current 23/24

Recommendation	Impact	Management Comment	By whom	Progress
		agreed as necessary and scrutinised to ensure lessons and improvements are acted on.		forecast outturn and the Chancellor's Autumn Statement in October.
<p>3. The Council should continually review its risk management procedures to ensure they remain effective and fit for purpose. This could include:</p> <ul style="list-style-type: none"> <li>Ensuring that there is a greater level of oversight of the strategic risks impacting the Council by M&amp;C.</li> <li>Updating the format of the strategic risk register.</li> <li>Working collaboratively with Internal Audit to ensure that the 2022/23 audit plan is achievable within the time and resource available.</li> </ul>	<p>The strategic risk register is a key mechanism for managing risk to the achievement of the Council's strategic objectives and therefore it is important that there is a clear link between those objectives and the risks being faced.</p> <p>To ensure that the risks within the register, supporting actions and scoring remain appropriate it is important it undergoes regular scrutiny at the top tier of the organisation and is included in M&amp;C meeting papers for transparency to the entire organisation.</p> <p>The internal audit plan is key in ensuring an appropriate number and coverage of assurance reviews</p>	<p>The refreshed risk management strategy was approved by EMT in November 2022 and will be rolled out in the new year. It includes biannual reporting to the Mayor &amp; Cabinet of the highest risks.</p> <p>Following the publication of the new Corporate Strategy in November 2022 we will refresh the risk register content in 2023 to link to objectives and align with formats in the new Risk Management Strategy.</p> <p>Members approved the 2022/23 Internal Audit plan in March 2022 which includes a resource analysis and flexible options on delivery to support the achievement of sufficient breadth and quality of coverage to deliver a robust audit opinion for 2022/23.</p>	Head of Assurance	Implementation of risk management strategy (including rollout of supporting software) to take place across 2023/24 in parallel to service planning. The new Risk Management software was presented to the ARIC in September and is being rolled out across the Council with regular review and engagement with EMT.

Recommendation	Impact	Management Comment	By whom	Progress
<p>• Tracking progress against the Quality Improvement Plan developed by Internal Audit.</p>	<p>are undertaken in year to be able to provide an effective opinion on the strength of the Council's controls. The Audit Panel plays a key role in holding Internal Audit to account for their performance.</p>			
<p>4. Overall the Council's governance arrangements are strong and operating consistently in line with Council policies. The Council may wish to explore ways that it can make iterative improvements to demonstrate best practice governance arrangements. These could include:</p> <ul style="list-style-type: none"> <li>Updating financial monitoring reports to include details of actions being taken on overspending services throughout the year.</li> <li>Ensuring that presentation of financial performance to M&amp;C is sufficiently regular.</li> </ul>	<p>Strong governance is the backbone of any organisation and ensuring arrangements are as robust as possible maximises the Council's ability to make well informed decisions.</p>	<p>The Council welcomes the assurance that its governance arrangements continue to be strong and operate in line with policies. Recognising the challenge to continuously improve incremental changes will continue to be made. For example:</p> <ul style="list-style-type: none"> <li>The financial monitoring reports which now flag the variances for key services with detail on service financial performance supported with activity details will be reviewed to include more clarity on next steps being taken.</li> <li>The Council will continue to report on the financial position at least quarterly and keep open the option to report by exception to M&amp;C outside of this cycle if</li> </ul>	<p>Director of Finance</p> <p>Director of Finance</p>	<p>The monitoring position has been to M&amp;C as follows:</p> <ul style="list-style-type: none"> <li>15th June 22 – Outturn 21/22</li> <li>6th July 22 – Monitoring Period 2</li> <li>5th October 22 – Monitoring Period 4</li> <li>11th January 23 – Monitoring Period 7</li> </ul> <p>References within the report to actions being taken to manage demand pressures such as Social Care.</p> <p>The reporting in 23/24 continues to provide detail on both the areas of overspend, the reasons for this and the actions being taken by services to reduce and manage this.</p>

Recommendation	Impact	Management Comment	By whom	Progress
<ul style="list-style-type: none"> <li>Undertaking effectiveness reviews of their committees to ensure that they are performing effectively against their terms of reference.</li> <li>Incorporating assessments of financial performance into the appraisals of budget holders.</li> <li>Investigating ways of increasing feedback response to consultations exercises.</li> <li>Ensuring that Members are sighted in the lessons learned from the Financial Software IT Critical Incident.</li> </ul>		<p>necessary, as was done through the Covid pandemic.</p> <ul style="list-style-type: none"> <li>The Audit Panel, by the nature of the internal audit standards, is under a specific expectation to review its performance and report on this annually. The second phase of the Constitution review being led by the Monitoring Officer will consider whether a similar approach might be appropriate for the Council's other Committees.</li> <li>The staff appraisal forms currently have fields for identifying what is being done well and what could be improved based around key objectives. The guidance will be reviewed to assess the benefit of being more specific on financial management, to supplement the detailed expectations set out in the financial regulations and procedures.</li> <li>Feedback on the Budget and monitoring of the risk registers is part of the quarterly PASC work schedule but, as set out else where we will continue to look to enhance the focus and value of these discussions to generate improvement and delivery more value.</li> </ul>	<p>Monitoring Officer</p> <p>Director of HR and OD</p> <p>Executive Director for Corporate Resources</p>	<p>The first phase of the Review of the Constitution was considered by the Constitution Working Party (CWP), unanimously agreed by Council in November and is now in effect. Phase II of the Review has now commenced. Roundtable sessions have been arranged for information sharing and discussion.</p> <p>The 2023/24 appraisal cycle included fields to capture the following specific areas: people management, finance &amp; equalities (where applicable). The appraisal guidance and training will be updated to make clear expectations.</p> <p>The risk register considered at PASC records the actions taken and mitigations implemented. The next financial year audit will review how the incident was handled and considered in the Annual Governance Statement as part of the financial statements. The Monitoring Officer is leading on the second phase of the constitutional review which will include the financial regulations, procedures and schemes of delegation. Following the return of</p>

Recommendation	Impact	Management Comment	By whom	Progress
<p style="text-align: center;">Page 24</p>				<p>Lewisham Homes into the Council the officer schemes of delegation were updated and published to ensure that the Council's structures were properly reflected.</p>
<p>5. The Council should explore ways to ensure the maximum benefit is achieved from the non-financial reporting of the Council's directorates. This could be achieved via increased oversight of the non-financial KPI performance of the Council's services and directorates by Members and introducing benchmarking into all directorate KPI reports. The Council would benefit from a Council wide benchmarking strategy as opposed to an ad-hoc approach.</p>	<p>Paying equal attention to financial and non-financial performance assists Members in making informed decisions since, in most cases, non-financial underperformance directly impacts the Council's financial position. Comparing performance to similar organisations provides important information to assess if certain services are outliers in terms of their financial and non-financial performance, thereby identifying potential opportunities for improvement. This information is of maximum benefit if applied consistently across the Council.</p>	<p>The Council is reviewing its performance reporting to support the new Corporate Strategy adopted by Full Council in November 2022. This will develop relevant non-financial indicators to assess progress on delivery of the corporate objectives. As recognised, Finance and Service teams have been developing more data insights. This work will continue to ensure it is aligned for financial and non-financial data and include benchmarking where there is consistent and reliable data available.</p>	<p>Executive Director for Corporate Resources</p>	<p>The Chief Executive moved an internal reorganisation at Full Council in January 2023 to give focus to this challenge. The next step is a corporate report to be published by April which will then be further developed to reflect the more detailed two year service plan priorities as they are finalised in April / May. The Council's Corporate Performance Report was tabled to Members in September 2023 and included the publication of the new Corporate Performance dashboard on the Council's website.</p>

Recommendation	Impact	Management Comment	By whom	Progress
<p>6. Overall the Council's arrangements for securing economy, effectiveness and efficiency are positive. The Council may wish to explore ways that it can make iterative improvements to demonstrate best practice in these arrangements. These could include:</p> <ul style="list-style-type: none"> <li>Developing an action plan from the findings of the LGA Peer Review to monitor success of the response to the recommendations with oversight from a relevant committee or M&amp;C. There may be scope to incorporate the finding into existing KPI reporting as those structures are already in place.</li> <li>Ensuring that a data policy is finalised as soon as possible.</li> <li>Identifying how the existing governance arrangements can support delivery of the digital programme, once</li> </ul>	<p>Paying equal attention to financial and non-financial performance assists Members in making informed decisions since, in most cases, non-financial underperformance directly impacts the Council's financial position. Comparing performance to similar organisations provides important information to assess if certain services are outliers in terms of their financial and non-financial performance, thereby identifying potential opportunities for improvement. This information is of maximum benefit if applied consistently across the Council.</p>	<p>The Council welcomes the assurance that its arrangements for securing economy, effectiveness and efficiency remain positive.</p> <p>The Council did develop an action plan in response to the LGA peer review. Progress against these actions is currently being updated and will be reported on to Members. This is being coordinated by the Cabinet Member for Resources and Strategy.</p> <p>Digital and data strategy and policy improvements – both for services to the Borough and internally for officers' ways of working are being reviewed and improved, including the operation of the Council's leading shared service with the</p>	<p>Chief Executive</p> <p>Executive Director for Corporate Resources</p>	<ul style="list-style-type: none"> <li>The Council's action plan in response to its Corporate Peer Challenge has been published on our website</li> <li>Each action within this plan has been allocated a Director or Executive Director to lead.</li> <li>The Council has recorded progress against this action plan, and this has been shared with senior staff and Members internally, as well as with the LGA Peer Challenge Team.</li> <li>The LGA Peer Challenge Team revisited Lewisham Council in January 2023, for a review of the progress made against the action plan. In their final feedback to the Council they stated "that the Council continues to be reflective and open to feedback" and "the Council has taken the peer team's recommendations from the full CPC seriously and made real progress in a number of areas."</li> <li>The final summary letter from the LGA Peer Challenge Team has been published on the Council website.</li> <li>Progress against the action plan will continue to be monitored, and where appropriate, actions will be incorporated into service plans.</li> </ul> <p>The Council is currently working on a draft Data Policy that seeks to embed the principles of data accuracy, integrity and ownership across the Council; the principle aim being effective use of data to inform better decision making. At present, the Data</p>

Recommendation	Impact	Management Comment	By whom	Progress
<p>the 2023 Digital Strategy is developed and released.</p> <ul style="list-style-type: none"> <li>Exploring ways that equal attention could be paid to monitoring the performance of both its key subsidiaries.</li> </ul>		<p>London Boroughs of Brent and Southwark.</p> <p>The reporting and monitoring of the Council's subsidiaries, which includes the main one of Lewisham Homes, will be</p>	<p>Executive Director for Housing, Regeneration</p>	<p>and Insights team have led a series of data workshops over the last 6/7 weeks to feed into the development of the Data Strategy, working with analysts, directors across the different services across the Council.</p> <p>The Council has now created and produced a Corporate Performance dashboard for Quarter 3 of 23/24 that reports service delivery against targets for key statutory indicators aligned to our Corporate Plan.</p> <p>Regarding the governance arrangements for the Digital Strategy (when launched), delivery will be reported through the Strategic Change Board, chaired by the Chief Executive which monitors the delivery of key projects across the Council. The IT &amp; Digital Team have already set up a Technical Design Authority (TDA) that reviews, assesses and critically challenges new IT &amp; Digital projects across the Council to ensure the solution proposed is the best approach for the service and the requirements can't be met by existing digital solutions in place. The TDA comprises of Shared Technology Service, leads from Applications, Digital and Information Governance</p> <p>The Council completed the insourcing of Lewisham Homes on the 1 October 2023, with some</p>



Recommendation	Impact	Management Comment	By whom	Progress
		<p>reassessed as part of the strategic decision currently before M&amp;C on the options for the future of the company with the potential for it to be insourced.</p>	<p>and Public Realm</p>	<p>functions brought back into the Council in February and May 2023. The Monitoring Officer will be undertaking a review of the Council's governance arrangements for its subsidiaries in Q3 and Q4 of 23/24. The Council has also engaged with Government over preparation for the winding down of the PFI in 2027.</p>

Ref	Category	Issue and Risk	Responsible Officer	Management Action
2	Financial Sustainability	Budget Monitoring reports should clearly articulate the underlying causes for the under delivery of savings plans. Actions taken to address under delivery or proposed alternative plans should also be detailed within the report.	Director of Finance	<p>The budget monitoring process monitors the service's financial position to date and forecasts this forward for the rest of the year in comparison to the budget. If the services are under/overspending against the budget this is reported as part of the monthly monitoring report which goes to EMT.</p> <p>Within this report there is a section focussed specifically on savings progress and where services are struggling to deliver savings; finance and the services work collaboratively to find ways to mitigate/deliver them in alternative ways. Any undeliverable savings which cannot be mitigated are included within the reported financial position for each service area with an explanation of what is causing them to not be delivered.</p> <p>A further section in the report covers financial risks which are not within the reported position but may materialise over the forthcoming financial year.</p> <p><b>Audit Response: Documentation of actions should be reported to Members</b></p> <p><b>Further Management Response:</b> The savings tracker goes to EMT monthly and Members at Periods 2, 4, 7 and 12. The budget address savings that cannot be delivered at all and need to be removed from the budget however the view is that the bulk can be delivered in 23/24. The Public Accounts Select committee have requested action plans to be shared and discussed at meetings during 22/23, which has in part led to a Member/Senior officer monthly meeting with regards to the Children's Social Care position.</p>
5	Financial Sustainability	Management have undertaken some sensitivity analysis when setting the 2021/22 budget. Management acknowledges that sensitivity analysis and scenario planning in terms of 'worst case' and 'stress testing' is an area which will need additional work going forward, to model the financial impact of Covid in the longer-term and ensure that plans are in place to make appropriate operational decisions to maintain financial stability.	Director of Finance	<p>The current MTFP process included pessimistic and optimistic cases which effectively stress tested the likely four-year timeframe in considering the budgetary framework and what level of cuts might / would be required.</p> <p>This will continue throughout the year through joint working between budget monitoring, risks and pressures identification, considering the longer term impact of these for future year budgets and therefore adjusting / refining the savings / cuts targets.</p> <p><b>Audit Response: Recommendation extended to suggest Council to consider applying scenario planning to annual budget as well as MTFP</b></p> <p><b>Further Management Response:</b> As part of (but separate to) the MTFP process, the Council will ensure that it undertakes scenario planning/testing for its current annual budget. This will include consideration of scenarios for: legislative changes, demand changes, inflation changes, policy changes. This will assist in the current year monitoring and forecasting and be used to inform the MTFP for possible changes to current year which need to be addressed permanently via the MTFP process.</p>

Ref	Category	Issue and Risk	Responsible Officer	Management Action
8	Financial Sustainability	Given the uncertainty of the pandemic and current economic environment a routine re-profiling of the capital programme would be required. This needs to be complemented by detailed reporting on a scheme by scheme basis with detailed explanations explaining slippage that will assist with holding delivery managers to account for meeting project timescales.	Director of Inclusive Regeneration	Revised project highlight summary reporting will provide clearer detail of the performance of capital projects against time, cost, and quality. Slippage against profile will be reviewed on a quarterly basis by RCPDB. <b>Audit Response: To be followed up in 2022/23 to ensure actions have been taken</b> Further Management Response: A revised project highlight format has been devised and is reported against quarterly. Management information is drawn from these reports to assess risk to cost, quality and time across the programme. An in-year capital reprofile process has been implemented, allowing for updates to the capital programme profile twice yearly.
12	Improving economy, efficiency, and effectiveness Page 29	The Council should take a corporate approach to identify benchmarking good practice and co-ordinate its use within the services to challenge performance.	Assistant Chief Executive	As part of the Support for Leadership restructure, the role of the corporate Performance Team is to become more focused on strategic reporting, forward planning, benchmarking and good practice. The team is currently in transition towards moving to this model, working with service areas to take ownership over operational performance reporting so the corporate team can focus on strategic reporting and benchmarking. The team will work closely with the wider service areas and Strategic Transformation & OD Business Partners to support services in making use of performance and benchmarking information to identify and improve areas for change. <b>Audit Response: Partially – see 2021/22 recommendations</b>
13	Improving economy, efficiency, and effectiveness	For Lewisham Homes Limited and Catford Regeneration Partnerships Limited, a report on progress against action plans and mitigation strategies should be presented to Mayor and Cabinet on a more regular basis.	Director of Housing and Director of Inclusive Regeneration respectively	This will be actioned.  Progress against the CRPL business plan to be reported to Mayor & Cabinet on an annual basis and regularly reviewed by Regeneration and Capital Board. <b>Audit Response: Partially – see 2021/22 recommendations</b>

# The Audit Findings for London Borough of Lewisham

Year ended 31 March 2023



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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Risk Committee.

**Name:** Joanne Brown  
**For** Grant Thornton UK LLP  
**Date:** 1 November 2023

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of Lewisham Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed during July-October. Our findings are summarised on pages 4 to 23. We have not identified any adjustments to the financial statements that impact on the Council's General Fund position to date. We have identified audit adjustments that are detailed in Appendix D. We have also raised a recommendation for management as a result of our audit work. The recommendation is set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Delivering a large complex London Borough audit under the current regulatory regime with the volume of work now required remains challenging. Only 5 audits in the country were signed off prior to the 30 September 2023. Management, officers and the audit team have worked hard to ensure that the audit is delivered to our agreed timetable. There has been slippage in obtaining all the evidence and resolving queries to samples selected for testing. At this stage our work in a few areas is still ongoing, but we are still planning on giving an opinion by the end of November 2023. This is very much dependent on the Council providing the outstanding items to us by the end of October 2023.

The quality of the draft financial statements presented to audit continue to improve. The financial statements have also been subject to a financial reporting technical review and this has identified a few presentational adjustments. There were fewer adjustments arising from the technical review than in previous years which supports our view that the quality of the financial statements continues to improve.

Our work is ongoing and at this stage there are no matters of which we are aware that would require modification of our audit opinion Appendix G, subject to the following outstanding matters;

- Completion of our work on the group financial statements including receipt of audited financial statements from Catford Regeneration Partnership Limited, and the required documentation from KPMG's audit of Lewisham Homes Limited.
- Receipt of our work on the valuations of land and buildings valuations.
- Completion of work on Revenue Receipts in Advance, Provisions, Leases and schools bank accounts.
- Clearance of all points arising from the technical review.
- Receipt of audited financial statements from the London Pensions Fund Authority auditor.
- Resolution of audit queries in relation to sample testing of operating expenditure, fees and charge, creditors and completion of cut off testing.
- Receipt of Full Time Equivalent listings for schools to prove leavers are appropriately removed.
- Senior Manager and Partner quality review of the audit file and satisfactory resolution of any residual queries.
- Receipt of management representation letter.
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unqualified.

# 1. Headlines

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## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised on page 23, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit..

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# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year with only 5 audit opinions being given by the 30 September deadline. The situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Council for their support in working with us to get us to this position. We are up to date with our work at the Council and are working on delivering your audit opinion by the 30 November 2023.

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## National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look for alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The Council does not have an investment property portfolio. There is an investment property that resides in Catford Regeneration Partnership Limited financial statements and therefore is consolidated into the group position. The valuation of the property is just below materiality in terms of the group financial statements.

The Council has not undertaken any new borrowing in the year and the average weighted maturity date of the debt is close to 30 years. The Council's Operational Boundary (being the limit which external debt is not normally expected to exceed) and Authorised Limit (being the limit beyond which borrowing is prohibited) have not been breached in the year.

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# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Risk Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined specified audit procedures for Lewisham Homes Limited on the valuation of dwellings and the valuation of the Pensions Asset. We have also undertaken specific procedures on the valuation of the Investment Property held within Catford Regeneration Partnership Limited financial statements.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you on 22 June 2023.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion by the 30 November 2023, as detailed in Appendix G.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

# 2. Financial Statements



## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements, but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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Materiality levels remain the same as reported in our audit plan.

We set out in this table our determination of materiality for London Borough of Lewisham Council and group.

	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	16,800,000	16,500,000
Performance materiality	10,920,000	10,725,000
Trivial matters	840,000	825,000



## 2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p>	<p>Relevant to Council and Group</p>	<p>Audit procedures undertaken in response to the identified risk included:</p> <ul style="list-style-type: none"> <li>• Evaluation of the design effectiveness of management controls over journals.</li> <li>• Analysis of the journals listing and determined the criteria for selecting high risk unusual journals.</li> <li>• Testing unusual journals recorded during the year and the accounts production stage for appropriateness and corroboration.</li> <li>• Gaining an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> <li>• Reviewed and tested transfers between the General Fund and HRA and inter group journals.</li> </ul> <p>Our testing of journal entries has not identified any material misstatements or indications of management override of controls.</p>
<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of fraud in revenue recognition is present in all entities.</p>	<p>Relevant to Council and Group</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>In the Audit Plan, we reported that having considered the risk factors set out in ISA240 and the nature of the Council's revenue streams, we had determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue recognition.</li> <li>• Opportunities to manipulate revenue recognition are very limited.</li> </ul> <p>The culture and ethical frameworks of local authorities, including London Borough of Lewisham, mean that all forms of fraud are seen as unacceptable.</p> <p>Therefore, we did not consider this to be a significant risk for the London Borough of Lewisham</p> <p>There have been no changes to our assessment as reported in the Audit Plan.</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
<p><b>Valuation of Valuation Council Dwellings, Other Land and Buildings and Surplus Assets.</b></p> <p>The Council revalues its dwellings and land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£2.7 billion) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus properties) at the financial statements date.</p> <p>We will focus our audit attention on assets that have large and unusual changes and / or approaches to the valuation of Council Dwellings, Other Land and Buildings and Surplus Assets, as a significant risk requiring special audit consideration.</p>	Council and Group	<p>Audit procedures undertaken in response to the identified risk included:</p> <ul style="list-style-type: none"> <li>• Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.</li> <li>• Evaluated the competence, capabilities and objectivity of the valuation expert.</li> <li>• Confirmed the basis on which the valuation was carried out to ensure that the requirements of the Code are met.</li> <li>• Challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations.</li> <li>• Tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register.</li> <li>• Assessed the value of a sample of assets in relation to market rates for comparable properties.</li> <li>• Tested a sample of beacon properties in respect of council dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group.</li> <li>• Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.</li> </ul> <p>As reported on page 3, our work is still ongoing in this area.</p> <p>During our testing, management explained that during 2023/24 a decision was made to terminate a large project (Home Park &amp; Edward Street) as the contractor had gone bankrupt. At the 31 March 2023 the assets were held as an Asset Under Construction. The Council is making an impairment adjustment to the 2022/23 accounts for these assets.</p> <p>Subject to the satisfactory completion of outstanding matters set out on page 3, there are no further material findings in respect of this risk which we are required to report to those charged with governance, based on the work carried out to date.</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or group	Commentary
<p data-bbox="91 379 495 408">Valuation of pension fund net liability</p> <p data-bbox="91 448 741 651">The pension fund net liability, as reflected in the balance sheet, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (107 million in the Council's balance sheet at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions.</p> <p data-bbox="91 667 741 895">The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice on Local Authority Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p data-bbox="91 911 741 1027">The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p data-bbox="91 1043 741 1192">The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p data-bbox="91 1208 741 1356">We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p data-bbox="741 379 965 408">Council and Group</p>	<p data-bbox="1070 379 1832 408">Audit procedures undertaken in response to the identified risk included:</p> <ul data-bbox="1070 424 2166 946" style="list-style-type: none"> <li data-bbox="1070 424 2166 499">• Updating our understanding of the processes and controls put in place by management to ensure that the pension fund net asset is not materially misstated and evaluated the design of the associated controls.</li> <li data-bbox="1070 515 2166 574">• Evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work.</li> <li data-bbox="1070 590 2166 649">• Assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation.</li> <li data-bbox="1070 665 2166 724">• Assess the accuracy and completeness of the information provided to the actuary to estimate the liabilities.</li> <li data-bbox="1070 740 2166 783">• Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the reports from the actuary.</li> <li data-bbox="1070 799 2166 874">• Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> <li data-bbox="1070 890 2166 946">• Gained assurances over the validity and accuracy of assets, membership, contributions and benefits data sent to the actuary by the Fund.</li> </ul> <p data-bbox="1070 994 2166 1142">Management had bought across the surplus from the London Pension Fund Authority scheme of £34,952k. The application of accounting standard IFRIC14 which limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The IFIRC 14 assessment from the actuary has an asset ceiling of £32,285k and limits the asset that can be applied to £2,667k.</p> <p data-bbox="1070 1158 2166 1307">The Group financial statements contain the Pensions Asset from Lewisham Homes Limited. The Council had not applied the accounting standard IFRIC14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and had consolidated the full £50.2m into the group position netting this off with the Council's Pensions liability. We are currently agreeing the IFRIC14 asset ceiling with the Council on the adjustment required to the Lewisham Home Asset.</p> <p data-bbox="1070 1323 2166 1362">In addition, the Council will need to show the Pensions Asset separately within the group balance sheet and not net this off the Council's liability position.</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or group	Commentary
<p><b>Completeness and accuracy of manual payments made by the Council between April to June 2022</b></p> <p>At the beginning of the financial year the Council encountered a systems issue that meant they were unable to process payments automatically from some feeder systems to clients/companies in the normal way. This information had to be manually uploaded onto the Council's creditor payments system. The Council reacted promptly to the issue and installed a manual workaround process to ensure suppliers were paid in accordance with agreed terms and conditions. The manual processes however, increase the risk over the accuracy and completeness of payments made. We are likely to require the use of our IT experts to assist us with our testing of the processes and reconciliations the Council implemented over this period.</p>	Council	<p>Audit procedures undertaken in response to the identified risk included:</p> <ul style="list-style-type: none"> <li>• updating our understanding of the processes and controls put in place by management to ensure correct payments were made to suppliers on a timely basis;</li> <li>• review the work completed by Internal Audit in this area; and</li> <li>• undertake substantive testing on manual payments made between April to June 2022.</li> </ul> <p>Our testing has not identified any misstatements that require reporting.</p>

## 2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Lewisham Homes	KPMG LLP	An unqualified audit opinion of Lewisham Homes Limited was issued by on 4 September 2023. No significant issues were identified. We are awaiting requested assurances from KPMG.	No impact.
Catford Regeneration Partnership Limited	ACF Auditing Services Limited	We are awaiting the audited opinion., on Catford Regeneration Partnership Limited.	No impact



# 2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,200m, surplus assets £63m.	<p>Other land and buildings comprises £1,101m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings (£99m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2023 on a five yearly cyclical basis. 99% of total assets were revalued during 2022/23.</p> <p>Management have considered the year end value of non-valued properties and these are well below materiality levels.</p> <p>The total year end valuation of land and buildings was £1,200m, a net increase of £93m from 2021/22 (£1,108m).</p>	<p>Our work on your property valuations is ongoing.</p> <ul style="list-style-type: none"> <li>We have assessed management's expert, Wilks Head and Eve, to be competent capable and objective.</li> <li>The valuer has correctly prepared the valuation using DRC on a modern equivalent asset basis for specialised properties, and EUV for non-specialised properties.</li> <li>99% of properties have been valued as at 31 March 2023.</li> <li>We engaged our own valuation specialist, Gerald Eve, to provide a commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points.</li> <li>We have carried out testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate and have no issues to report.</li> <li>Valuation methodologies applied are consistent with those applied in the prior year.</li> <li>We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements.</li> </ul> <p>See results from the valuation testing on page 9.</p>	TBC

## Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious



## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £1,441m	<p>The Council owns 13,772 dwellings in the Housing Revenue Account and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council has engaged its valuer to complete the valuation of these properties. The year end valuation of Council Housing was £1,440m, a net increase of £27m from 2021/22 (£1,413m).</p>	<p>Our work on your property valuations is ongoing. At this stage:</p> <ul style="list-style-type: none"> <li>We have no concerns over the competence, capabilities and objectivity of your valuation expert.</li> <li>No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>There have been no changes to the valuation method this year.</li> <li>The valuer has correctly prepared the valuation using the stock valuation guidance issued by MHCLG, and has ensured the correct factor has been applied when calculating the Existing Use Value – Social Housing (EUV-SH) value disclosed within the accounts.</li> <li>All properties have been valued as at 31 March 2023</li> </ul>	TBC

### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements: key judgements and estimates

## Significant judgement or estimate

## Summary of management's approach

## Audit Comments

## Assessment

### Net pension liability – 107m deficit.

The Council's scheme remains in a deficit position, but there are surplus positions within the London Pension Fund Authority and Lewisham Homes Limited.

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Council's net pensions liability comprises assets and liabilities relating to the London Borough of Lewisham Pension Fund and London Pension Fund Authority Local Government Pension Schemes together with unfunded defined benefit pension scheme obligations.

The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The actuary Barnett Waddingham are used for the London Pension Fund Authority Scheme.

The latest full actuarial valuation was completed as at 31 March 2022. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.

Given the significant value of the net pension fund liabilities, small changes in assumptions can result in significant valuation movements. There has been a net decrease of £459m in the overall net pension fund liability in 2022/23.

- We have assessed the actuaries, Hymans Robertson, to be competent, capable and objective.
- We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.75%	4.75%	●
Pension increase rate	3.0%	2.95 - 3.0%	●
Salary growth	4.0%	3.95 - 4.0%	●
Life expectancy – Males currently aged 45/65	21.0 22.1	*None provided	●
Life expectancy – Females currently aged 45/65	24.1 25.5		●

\* Figures within the IAS19 results schedule may now show individual employer level life expectancies). As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We have confirmed there were no significant changes in 2022/23 valuation method.
- We have completed the same testing as above in relation to the Net LPFA pensions asset of £35m.

Our testing identified that the LPFA asset had not been shown gross as an asset and had been netted off the Council's liability position.

Management had bought across the surplus from the London Pension Fund Authority scheme of £34,952k. The application of accounting standard IFRIC14 which limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The IFRIC 14 assessment from the actuary has an asset ceiling of £32,285k and limits the asset that can be applied to £2,667k.

Grey – purely due to the re-statement of the LPFA asset.

## Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Grants Income Recognition and Presentation- £628m credited to Service Income and £66m credited to Taxation and Non Specific Grants</p>	<p>Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:</p> <ul style="list-style-type: none"> <li>the Council will comply with the conditions attached to the payments, and</li> <li>the grants or contributions will be received.</li> </ul> <p>Amounts recognised as due to the Council are not credited until conditions attached to the grant or contribution have been satisfied. The Council has credited £694m of grants to the Consolidated Income and Expenditure Statement in 2022/23.</p> <p>The Council has received a number of Grants and Contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if not spent. The balances at the year-end for these grants is £24m.</p> <p>The Council acts as an Agent for Central Government in respect of the majority of Business Rates Grants that are used to support business during the current Covid pandemic. These grants are distributed by the Council from central government and therefore do not appear in the Consolidated Income and Expenditure statement.</p>	<ul style="list-style-type: none"> <li>We are satisfied with all the other grants tested that the Council's judgement on whether the Council is acting as the principal or agent which determines whether the authority recognises the grant at all.</li> <li>Our sample testing has concluded that we are satisfied with the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income.</li> <li>We are satisfied over the allocation of the grants between specific or non-specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES.</li> </ul>	Light Purple

### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £14.8m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund (GF). No MRP charge is made in respect of borrowing for the acquisition of assets held in the Housing Revenue Account (HRA). According to regulations, this is on the basis that HRA assets should be self-financing, with local authorities being required to make an annual charge from the HRA to their Major Repairs Reserve in place of MRP, to maintain functionality of housing assets.</p> <p>The year end MRP charge including the repayment of principal on PFI schemes was £14,826k, a net increase of £1,187k from 2021/22</p>	<ul style="list-style-type: none"> <li>The MRP charge for the year has been calculated in accordance with the methodologies permitted in the statutory guidance.</li> <li>The Council's policy on MRP in relation to borrowing taken out for the acquisition of non-housing General Fund assets complies with statutory guidance.</li> <li>The Council's policy on MRP was discussed and agreed with those charged with governance and approved by full council as part of the Treasury Strategy in March 2022.</li> <li>The level of increase in the MRP charge is reasonable in the context that there has been little change in borrowing during the year.</li> </ul> <p>Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation.</p>	Light Purple

### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious





# 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
Oracle Fusion	ITGC assessment (design and implementation effectiveness only)				

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### Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
<p>During the audit, national news headlines reported that many Local Authorities had Reinforced Autoclaved Aerated Concrete (RAAC) within their buildings. RAAC is a lightweight form of concrete used in roof, floor, cladding and wall construction in the UK from the mid-1950s to the mid-1980s. The limited durability of RAAC roofs and other RAAC structures has long been recognised; however recent experience indicates that the problem may be more serious than previously appreciated and that many building owners are not aware that it is present in their property. RAAC has been found in a wide range of buildings including schools.</p>	<p>The Council's surveys have identified only one school in the borough, Myatt Garden Primary School, has having RAAC. This was only partially used in two areas of the school which we have now placed out of action, with no disruption to teaching.</p>	<p>We have reviewed managements approach and are satisfied that surveys have taken place and the RAAC issue was identified and appropriately reported. We are satisfied that the Council continue to follow government guidelines at this stage there is no evidence of material impairment of assets due to RAAC.</p>

## 2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Committee . We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Risk Management Committee papers.
Audit evidence and explanations	<p>All information and explanations requested from management were provided, with the exception of those relating to the outstanding matters detailed on pages 3 which, as at the date of writing, have not yet been provided.</p> <p>We are still encountering delays with providing working papers and evidence to support sample items which continues to impact on the length of time it takes to deliver the audit.</p> <p>The financial statements were published on the timetable agreed with the Council and supporting working papers were provided. Not all of these were available at the start of the audit which led to delays in selecting some samples.</p>
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and investment counterparties. This permission was granted and the requests were sent. We have received responses from all counterparties.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. We have proposed some enhancements to the accounting policies and the assumptions made about the future and other major sources of estimation uncertainty as part of our technical review. The Council has made the required amendments.

## 2. Financial Statements: other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>



## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix G</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to close the 2022/23 audit of London Borough of Lewisham Council in the audit report, as detailed in Appendix G,</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

# 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

# 4. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified.

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Teacher's Pension Return	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £269,488 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Capital receipts grant	52,388	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £52,388 in comparison to the total fee for the audit of £269,488 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Capital Receipts	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £269,488 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
GLA Compliance checklist	£8,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,000 in comparison to the total fee for the audit of £269,488 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

# 4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Audit opinion

# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

# B. Action Plan – Audit of Financial Statements

We have identified 1 recommendation for the Council as a result of issues identified during the course of our audit. 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	We are still encountering delays in obtaining evidence to support samples selected for audit testing. This has had an impact on our ability to complete the audit on a timely basis which has cost implications for us which increases the Council's audit fee.	The Council need to continue to work on the capacity within the finance team. In addition, departments across the Council need to be reminded of the importance of providing documentation to support the audit to the finance team on a timely basis. <b>Management response</b>
Medium	<b>Related parties</b> One Member had not returned their declaration of interest form. We also identified that the process of recordings gifts and hospitality needs strengthening. The current process is that Members submit one annual form with all the gifts and hospitality received in year.	Members need to provide their annual declarations in time for preparation of the draft financial statements. Members need to disclose any offer of gift and hospitality as and when this is offered. <b>Management response</b>

## Controls

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



# C. Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Lewisham Council's 2021/22 financial statements, which resulted in 6 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 3 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>We have encountered some delays in obtaining information that has impacted on our ability to complete our work in an efficient manner. Notable areas where we encountered delays were obtaining cash and bank reconciliations and supporting paper work, and information supporting Property Plant and Equipment valuations.</p> <p><b>Recommendation</b></p> <p>The Council should investigate the how this initial imbalance arose.</p>	<p>We are still encountering delays in receiving evidence to support samples selected for audit testing. This impacts on the efficiency of the audit process.</p>
✓	<p>Our sample cut off testing of payments from bank statements between April and June 2022 identified payments of £389k that related to the 2021/22 year, but the expenditure had not been accrued. The extrapolated error mounts to £1,127k.</p> <p><b>Recommendation</b></p> <p>Your cut off procedures need strengthening to ensure that expenditure is coded in the year in which it relates.</p>	<p>Improvements have been made in cut-off training and testing. A training session was held specifically for Capital Project Managers to share best practise requirements and impact.</p>
X	<p>Within our testing of operating expenditure on repairs and maintenance charges on Council dwellings we identified that there is no formal documentation between the Council and Lewisham Homes to confirm the nightly call out capped charge rates.</p> <p><b>Recommendation</b></p> <p>Implement a formal agreement setting out nightly capped call out charges for repairs and maintenance jobs undertaken by Lewisham Homes.</p>	<p>We are awaiting evidence that this recommendation has been implemented.</p>
✓	<p>The Adult Social Care Controcc system is not being updated and monitored regularly to ensure the commitments stated on the system are complete and accurate. The finance team rely on the reports from Controcc system to determine outstanding commitments to be raised as creditors at year-end</p> <p><b>Recommendation</b></p> <p>The Council should ensure the Controcc system is regularly updated.</p>	<p>A monthly reconciliation is now undertaken which compares payments made on the Oracle system to the ContrOCC commitment report. Invoices on hold are also reviewed on an ongoing weekly basis to make sure commitments in the system are accurate to enable invoices to be processed without intervention.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>The Council has significant credit balances on Council Tax and NNDR accounts due to residents and businesses. These balances have remained outstanding for several years.</p> <p><b>Recommendation</b></p> <p>The Council need to take action to either repay these creditors. In the instance where the residents or businesses cannot be traced and the legal time limits have expired, the Council should write back these amounts.</p>	<p>Review of creditor listings shows there are £4m of Council tax creditors and £4.6m of NNDR creditors that are over 10 years old.</p>
✓	<p>Schools bank accounts were not all reconciled as at 31 March 2022. Some were reconciled at an earlier date</p> <p><b>Recommendation</b></p> <p>All schools bank accounts should be reconciled as at 31 March 2023.</p>	<p>Schools bank reconciliations were undertaken as at 31 March 2023.</p>

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## Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
During our testing, management explained that during 2023/24 a decision was made to terminate a large project (Home Park & Edward Street) as the contractor was bankrupt. At the 31 March 2023 the assets were held as an Asset Under Construction. The Council is making an impairment adjustment to the 2022/23 accounts.	Dr Expenditure impairment 21,188	Cr Land and buildings Assets Under Construction 21,188	(21,188)	£0
Management had bought across the surplus from the London Pension Fund Authority scheme of £34,952k. The application of accounting standard IFRIC14 which limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The IFIRC 14 assessment from the actuary has an asset ceiling of £32,285k and limits the asset that can be applied to £2,667k.		Cr Pension Asset 32,285 Dr LPFA Pensions reserve 32,285	0	0
Management had bought across the surplus from the Lewisham Homes scheme of £50,193k. The application of accounting standard IFRIC14 which limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The IFIRC 14 assessment from the actuary has an asset ceiling of £21,068k and limits the asset that can be applied to £29,125k.		Cr Group Pension Asset 21,068 Dr Lewisham Homes Pension Reserve 21,068		
A bank receipt of £1,146,000 was received after year, but the income related to 2022/23 . The amount had not accrued for.	Cr Income 1,146	Dr Debtors 1,146	1,146	1,146

# D. Audit Adjustments

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
The Council had applied the Social Housing Discount Factor to temporary accommodation. This should only be used for Council dwellings. The Council have requested their valuer to revalue these properties. The revised valuation led to an increase of £19,021k		Dr Other Land and Buildings 19,021 Cr Revaluation Reserve 19,021		
The Annual Leave Accrual was based on the best information the Council had at the time of preparing the financial statements. Year end final information from schools was received later. Once this information was taken into account it increases the accrual by £2,363k.	Dr Gross Cost of Services 2,363	Cr Short Term Compensated Absences Creditors 2,363		
<b>Overall impact (single entity)</b>	<b>22,405</b>	<b>36,369</b>	<b>22,405</b>	<b>1,146</b>

# D. Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Management response	Adjusted?
Note 15 Cash and cash equivalents. Note 15c refers to balances of £18.7m and £17.2m overdrawn that appear to be offset in reporting the balance of cash for school bank accounts. Where there is no legal right of set off bank account balances should be shown gross and the overdrawn position shown separately.	Management have agreed to adjust the financial statements.	✓
Note 25 - Lewisham Grainger Holdings LLP the Council need to clarify the accounting arrangements and sufficiently explain the Council's interest in the company. Accounting policy note 14 refers to interest in Lewisham Grainger Holdings Ltd, but does not explain if there is joint control and if this is a joint venture. The policy needs updating. Note 25 - Special purpose vehicles Council need to make it clear these are 2022/23 payments. Note 25 - South-East London Combined Heat and Power Limited. The note needs updating to clarify that the Council's interest does not provide it with joint control and it is not a party to the joint venture.	Management have agreed to adjust the financial statements.	✓
Note 2 Group Accounts. Narrative needs to be updated to make it clear that the investment property is held solely for rentals and capital accumulation in line with the accounting standards.	Management have agreed to adjust the financial statements.	✓
Page 8 Narrative Report. The Council uses the word provisions to refer to Corporate Provisions budgets and not actual provisions in an accounting sense.	The Council has agreed to amend the wording to read "the final overspend of £7m has been managed within existing budgets without an unplanned drawing down of reserves.	✓
Page 8 Narrative Report. Dedicated Schools Grant states schools in deficit totalling 6.3m (and refers to the statutory override) but differs from Note 29.	The Council has agreed that the wording in the narrative report to agree to note 29. The updated wording states "At the end of 2022/23, there are 21 schools in deficit compared to 13 in 2021/22 (2 nursery schools, 1 special school, 1 secondary school and 17 primary schools) totalling £13.1m.	✓
Page 11 Narrative Report. Capital budget outlook states the council's programme for 2022/23 to 2024/25 is £59.1 m for the General Fund and £54.3m for the HRA. The table reports the budget for 2023/24 to be £69.8m which is higher than the total for the three years referred in the narrative.	The Council has agreed to add an additional sentence that states "Due to significant slippage in the capital programme from 2021/22 into 2022/23 and from 2022/23 into 2023/24, in particular in Non-HRA Housing schemes, the budget for 2023/24 General Fund Capital expenditure has increased from £23.9m to £69.8m.	✓

# D. Audit Adjustments

## Misclassification and disclosure changes continued

Disclosure/issue/Omission	Management response	Adjusted?
Throughout the primary statements – the Council uses (brackets) inconsistently and departs from accepted treatment of (brackets) representing credits/ income.	Management have agreed to adjust the financial statements.	✓
Accounting policy note 15b re impairment of debt. The note makes no reference to the requirements for expected credit loss under IFRS 9 (differs from council tax debt which continues to operate on an incurred loss model).	The Council has agreed to update accounting policy 15 to reference how they account expected credit losses under the requirements of IFRS9.	✓
Accounting policy note 19b states financial assets are classified at amortised cost, but refers only to business model aspect of the test.	The Council has updated the accounting policies.	✓
Note 2 reports £90.9m of asset to be fair value through profit or loss but this is not covered by the accounting policy.		
Expenditure Funding Analysis. The analysis of the adjustment of £15m does not agree to the narrative explanation.	The Council has agreed to amend the narrative so that it agrees to the table i.e. £10.6m HRA adjustment with the remaining £4.5m adjustment to the General Fund.	✓
Capital grants unapplied account Note 42 . The balance reports £25.879m, but balance sheet states £26.615m.	Management have agreed to adjust the financial statements.	✓
Note 42 reports a debit balance for other housing grants of £3.076m which is inappropriate.		
Accounting policies adopted in the new year. The Council incorrectly referred to IFRS 16 new leasing standard as this wont be adopted in 2023/24. The Council need to disclose the other standards as referred in the CIPFA closedown bulletin.	The Council has removed the reference to IFRS 16 and added their consideration of the standards included in the closedown bulletin including IAS8, IAS1, IAS12 and IFRS3.	✓
Note 4. Assumptions made about the Future and other Major Sources of Estimation Uncertainty. Estimation uncertainty for Property Plant and Equipment and HRA does not explain the assumptions that would give rise to a change in the valuation for different categories of asset. The note also refers to fair value rather than current value and the HRA section incorrectly refers to investment property.	Management have agreed to adjust the financial statements.	✓
Note 4. Assumptions made about the Future and other Major Sources of Estimation Uncertainty. The impairment focusses on expected credit loss, but at least £39m of the impairment appears to be outside the scope of IFRS. No sensitivity analysis to explain how the carrying value is affected by changes in key assumptions.	The Council has updated the wording and added some sensitivity analysis into the note.	✓

# D. Audit Adjustments

## Misclassification and disclosure changes continued

Disclosure/issue/Omission	Management response	Adjusted?
Note 4. Assumptions made about the Future and other Major Sources of Estimation Uncertainty. Estimation uncertainty for venture capital (private equity and infrastructure) and property investment valuations does not explain what asset/ liability this. The sensitivity reported for property investment valuation suggests that immaterial so needs to be removed.	Management have agreed to adjust the financial statements.	✓
Note 18 and accounting policy on page 34 the definitions for provisions are not consistent with the accounting standard IAS37. The Council need to be clear the provision results from a past event with future settlement that is uncertain in timing or amount.	Management have agreed to adjust the financial statements	✓
2023 Earmarked reserves and unusable reserves in the Balance sheet are different to the MIRS by £1.938m. This also impacts on Note 8 MIRS adjustments note reports credit to General Fund of £2.287m but note 20 reports deficit on DSG to be £4.225m.	This was due to a late amendment between the Dedicated Schools Grant Deficit reserve and the schools balances reserve (£1,938k). The Council have updated the financial statements	✓
2023 Note 31c related party transactions. In relation to the companies the Council need to clarify the arrangements and the accounting under the standards.	Management have agreed to adjust the financial statements.	✓
Cash flow statement notes 44, 46 and 47. Note 44 contains description of "other items" £26m at note 44 "other receipts" £27.8m at note 46 and "other payments" £19m at note 47. Material items need to be further analysed.	Management have agreed to adjust the financial statements.	✓
HRA. Net cost of HRA services of £25.432m is inconsistent with the CIES which reports £25.564m.	Amendment to Contribution to Expenditure has been made in the HRA (with a corresponding adjustment to the HRA MIRS.	✓
Note 31. The balances in the related party note 31 relating to Lewisham Homes Limited and Catford Regeneration Limited do not match the group accounts note 6 and group MIRS. The disclosure for Lewisham Schools for the Future SPV3 Limited of £4.9m should be £4.8m.	The balances in note 31 have been updated so they now match.	✓
Group Accounts Note 5. There are no disclosures for the Investment property to meet the requirements of Code 4.4.4. Also there are no leasing disclosures.	Management have agreed to adjust the financial statements.	✓
Note 30 Grant claims. There were various classification misstatements across the Grant income note. There was no impact on the bottom line position in the note.	Management have agreed to adjust the financial statements.	✓

# D. Audit Adjustments

## Misclassification and disclosure changes continued

Disclosure/issue/Omission	Management response	Adjusted?
Group Accounts reserves. There is no disclosure to meet the requirement of Code 3.4.2.68 (description of nature and purpose of reserve, balance and movement in year) for the group revaluation reserve and the Lewisham Homes pension reserve.	Management have agreed to adjust the financial statements.	✓
Note 27a: Officers remuneration over £50k. The following bandings are incorrect: The band £50,000-£54,999 is 187 and should be 191 Band £55,000-£59,999 is 97 and should be 95, Band £60,000-£64,999 is 66 but should be 64 Band £90,000-£94,9999 should be 0 but is 1.	Management have agreed to adjust the financial statements	✓
Note 27c: Exit packages agreed in year. There is an officer 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: Band £0-£20,000 should be 69 and not 68 Band £20,001-£40,000 should be 36 and not 35 Band £40,001-£60,000 should be 15 and not 16.	Management have agreed to adjust the financial statements	✓
Financial instruments disclosures. The following amendments are required: <ul style="list-style-type: none"> <li>• Note 12a, the amount of Short term debtors - Financial assets at amortised cost should be £37,318k instead of £33,080k.</li> <li>• Note 12b, the amount of Short term debtors should be £37,318k for financial instrument and £33,297k for Non Financial Instrument. This will also change the total of Debtors - Financial instruments from £93,317k and to £97,555k and total of Debtors - Non - Financial instruments from £26,546k and to £33,297k.</li> <li>• Note 12a, the amount of Short term creditors - Financial liabilities at amortised cost should be £87,448k instead of £88,819k.</li> <li>• Note 12b, the amount of Short term debtors should be £87,448k for financial instrument and £58,698k for Non Financial Instrument. This will also change the total of creditor - Financial instruments and creditors - non financial instruments to these figures.</li> <li>• Note 12c, the amount of Expected Credit Loss for Financial assets measured at amortised cost should be £3,314k instead of £3,926k.</li> <li>• Note 12d, the carrying value of Financial Assets Held at Amortised Cost - Debtors - £97,555k and carrying value of Financial liabilities at amortised cost - Creditors - £87,448.</li> <li>• Narrative below the table at note 12d page 63 refers to the Fair Value as being greater than the carrying value. The position has changed from 2021/22, but the narrative has not been updated to reflect this change</li> </ul>	Management have agreed to adjust the financial statements	✓



# D. Audit Adjustments

## Misclassification and disclosure changes continued

Disclosure/issue/Omission	Management response	Adjusted?
<p>Note 14 Debtors. There was a classification misstatement within the note. Central Government bodies has been amended from £11,662k to £11,044k and Housing Rents (inc PSL, B&amp;B, Hostels, Commercial) has been amended from £10,991k to £11,609k.</p>	<p>Management have agreed to adjust the financial statements.</p>	✓
<p>Note 29 Dedicated Schools grant. A revised note has been provided in which has the following impact.</p> <ul style="list-style-type: none"> <li>• Actual Central Expenditure was amended from £65,540k to £68,507k</li> <li>• Actual Individual Schools Budget deployed was amended from £217,969k to £214,501k</li> <li>• Local authority contribution has changed from £500k to 0</li> </ul>	<p>Management have agreed to adjust the financial statements</p>	✓

## D. Audit Adjustments (continued)



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### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which had not been made within the final set of statements.

## D. Audit Adjustments (continued)

### Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	CIES £'000	Balance Sheet £' 000	Reason for not adjusting
Our testing of Adult Social Care Creditors identified two items total value of £247k that were not valid creditors. The error extrapolated to £3,885k.	Cr Adult Social Care Expenditure 3,885	Dr creditors 3,885	This is an extrapolated misstatement and is not material.
In revising the IAS19 work the actuary Hymans Robertson has adjusted the Salary increase rate from 3.90% to 4.20% and increase in 0.3% which will add 1.5% to the liability (0.5% for every 0.1% increase as per the original PWC report). The Tewisham net liability is £584,415k so this adds £8,766k to the liability. Our view is that the salary assumption should not have been amended so the liability is overstated.	Cr Remeasurement of the net defined benefit liability 8,776	Dr Liability related to defined benefit pension scheme 8,776	This is an estimate of potential misstatement.
Total unadjusted misstatements including this Addendum on CIES.	12,661	12,661	

Note that the IAS19 adjustment would now have worked its way through in the 2022/23 assessment. We are satisfied all the assumptions in the IAS19 report are consistent with the PWC report so we don't have a similar issue in 2022-23.

# E. Fees and non-audit services

We confirm below our final fees charged for the audit

Audit fees	Proposed fee. TBC
New scale fee	£170,039
Group	£2,630
Reduced materiality	£6,575
Use of expert	£9,994
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	£500
Additional Requirements – Collection Fund Reliefs (Information Provided by the Entity) IPE Testing	£750
Value for Money audit – new NAO requirements	£20,000
ISA 540	£6,000
ISA 315	£5,000
Additional journals testing	£3,000
Infrastructure	£2,500
Quality review – response to FRC technical reviewer	£1,500
Triennial valuation work	£3,500
Other local factors – This will take account the likelihood of extra sampling, testing, new guidance plus the additional work we need to complete on the manual payments made earlier in the year.	£37,500
<b>Total audit fees (excluding VAT)</b>	<b>£269,488</b>

At this stage this is the proposed fee as set out in the Audit Plan. The final fee will be confirmed at the end of the audit once all the evidence requested has been obtained and remaining queries resolved. The fee is dependent on the audit work being completed by 3 November 2023.

# E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services eg Grant Claims	78,000	TBC

The fees reconcile to the financial statements.

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

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Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

# G. Audit opinion

## Independent auditor's report to the members of London Borough of Lewisham [DRAFT SUBJECT TO CONCLUSION OF AUDIT]

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements of London Borough of Lewisham (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Comprehensive Income and Expenditure Account, Housing Revenue Account Movement in Reserves Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director for Corporate Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Executive Director for Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director for Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# G. Audit opinion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director for Corporate Resources' with respect to going concern are described in the relevant sections of this report

## Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon, and our auditor's report on the pension fund financial statements. The Executive Director for Corporate Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority and the Executive Director for Corporate Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director for Corporate Resources. The Executive Director for Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director for Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



# G. Audit opinion

In preparing the financial statements, the Executive Director for Corporate Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks [the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003], Local Government Act 1972, Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and Local Government Finance Act 2012).

We enquired of management and the Audit and Risk committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk management override of controls. We determined that the principal risks were in relation to:

- journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement, and
- accounting estimates made in respect of the valuation of assets and liabilities in the Balance Sheet

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Executive Director for Corporate Resources has in place to prevent and detect fraud;
- journal entry testing, with a focus on entries meeting the risk criteria determined by the audit team;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings including council dwellings, and the valuation of the defined benefit pensions asset valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

# G. Audit opinion

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including potential for fraud in revenue and expenditure recognition and significant accounting estimates related to property, plant and equipment and accruals. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

# G. Audit opinion

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of London Borough of Lewisham for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joanne Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

