

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

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.

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.

Significant matters

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

1. Headlines

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.

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 to 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.

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.

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>Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p>	Relevant to Council and Group	<p>Audit procedures undertaken in response to the identified risk included:</p> <ul style="list-style-type: none"> • Evaluation of the design effectiveness of management controls over journals. • Analysis of the journals listing and determined the criteria for selecting high risk unusual journals. • Testing unusual journals recorded during the year and the accounts production stage for appropriateness and corroboration. • Gaining an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. • Reviewed and tested transfers between the General Fund and HRA and inter group journals. <p>Our testing of journal entries has not identified any material misstatements or indications of management override of controls.</p>
<p>Improper revenue recognition Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of fraud in revenue recognition is present in all entities.</p>	Relevant to Council and Group	<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"> • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. <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>Valuation of Valuation Council Dwellings, Other Land and Buildings and Surplus Assets.</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"> • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Confirmed the basis on which the valuation was carried out to ensure that the requirements of the Code are met. • 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. • Tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register. • Assessed the value of a sample of assets in relation to market rates for comparable properties. • 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. • 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. <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 & 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="91 379 495 406">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="741 379 965 406">Council and Group</p>	<p data-bbox="1070 379 1832 406">Audit procedures undertaken in response to the identified risk included:</p> <ul data-bbox="1070 422 2166 948" style="list-style-type: none"> <li data-bbox="1070 422 2166 507">• 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 data-bbox="1070 523 2166 576">• Evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work. <li data-bbox="1070 592 2166 644">• Assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation. <li data-bbox="1070 660 2166 713">• Assess the accuracy and completeness of the information provided to the actuary to estimate the liabilities. <li data-bbox="1070 729 2166 782">• 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 data-bbox="1070 798 2166 882">• 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 data-bbox="1070 898 2166 951">• Gained assurances over the validity and accuracy of assets, membership, contributions and benefits data sent to the actuary by the Fund. <p data-bbox="1070 999 2166 1147">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 1163 2166 1295">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 1311 2166 1364">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>Completeness and accuracy of manual payments made by the Council between April to June 2022</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"> • 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; • review the work completed by Internal Audit in this area; and • undertake substantive testing on manual payments made between April to June 2022. <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"> We have assessed management's expert, Wilks Head and Eve, to be competent capable and objective. The valuer has correctly prepared the valuation using DRC on a modern equivalent asset basis for specialised properties, and EUV for non-specialised properties. 99% of properties have been valued as at 31 March 2023. 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. 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. Valuation methodologies applied are consistent with those applied in the prior year. We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements. <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"> We have no concerns over the competence, capabilities and objectivity of your valuation expert. No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate. There have been no changes to the valuation method this year. 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. All properties have been valued as at 31 March 2023 	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, Hymens 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 Blue] 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
Grants Income Recognition and Presentation- £628m credited to Service Income and £66m credited to Taxation and Non Specific Grants	<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"> the Council will comply with the conditions attached to the payments, and the grants or contributions will be received. <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"> 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. 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. 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. 	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"> The MRP charge for the year has been calculated in accordance with the methodologies permitted in the statutory guidance. 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. 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. The level of increase in the MRP charge is reasonable in the context that there has been little change in borrowing during the year. <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)				

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).

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"> 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 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. <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"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <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"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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"> • 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, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <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
Audit related			
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. Management response
Medium	Related parties One Member had not returned their declaration of interest form. We also identified that the process of recording 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. Management response

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>Recommendation</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>Recommendation</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>Recommendation</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>Recommendation</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>Recommendation</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>Recommendation</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>

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		
Overall impact (single entity)	22,405	36,369	22,405	1,146

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 £541.3m 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. Note 12 reports £90.9m of asset to be fair value through profit or loss but this is not covered by the accounting policy.	The Council has updated the accounting policies.	✓
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. Note 42 reports a debit balance for other housing grants of £3.076m which is inappropriate.	Management have agreed to adjust the financial statements.	✓
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	✓
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	✓
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"> Note 12a, the amount of Short term debtors - Financial assets at amortised cost should be £37,318k instead of £33,080k. 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. Note 12a, the amount of Short term creditors - Financial liabilities at amortised cost should be £87,448k instead of £88,819k. 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. Note 12c, the amount of Expected Credit Loss for Financial assets measured at amortised cost should be £3,314k instead of £3,926k. 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. 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 	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&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"> • Actual Central Expenditure was amended from £65,540k to £68,507k • Actual Individual Schools Budget deployed was amended from £217,969k to £214,501k • Local authority contribution has changed from £500k to 0 	<p>Management have agreed to adjust the financial statements</p>	✓

D. Audit Adjustments (continued)



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 Lewisham 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
Total audit fees (excluding VAT)	£269,488

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.

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"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
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"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
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"> Consideration is also being given to the potential impacts on confidentiality and independence.
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"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
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. 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:

