

# London Borough of Lewisham

Report to the Audit & Risk Committee

**Audit progress update for the year ending 31 March 2024**

11 September 2024

# Introduction

## To the Audit & Risk Committee of London Borough of Lewisham Council

We are pleased to have the opportunity to meet with you on 11 September 2024 to provide an update on our audit of the financial statements of London Borough of Lewisham Council (the Council), as at and for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice.

This report outlines our progress to date on your audit, and key updates to our planned audit approach following our review of the predecessor auditor's files.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements.

We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.



# Our progress so far and updates to audit risks



## Our progress so far

We have made substantial progress in our audit work to date. So far, we have:

- Finalised our risk assessment procedures, including reviewing the work performed by the predecessor auditor on the financial statements.
- Reviewed the draft financial statements, sharing our feedback with officers.
- Commenced our audit procedures over grant income, other income, payroll, non-pay expenditure, property plant and equipment (PPE), PFI and pensions.

Over the coming weeks we will issue further samples and complete our work over key areas of the financial statements.

## Value for Money

Our work over value for money has been started for the Council based on the approach outlined in our Audit Plan.

We have identified three areas for more detailed review. These are:

- Adult and Children's Social Care;
- HRA including governance over managing assets; and
- Financial sustainability.

Our work over value for money will continue through September, and we hope to bring our Value for Money risk assessment to the next Audit & Risk Committee. This will include confirmation of any significant risks to Value for Money.

## Updates to audit risks

We outline below where, in our previously communicated audit risks and response, where we have revised our risk assessment.

Risk	Changes
<b>Management override of controls</b>	<p>We have identified a specific risk of management override of controls in relation to HRA reserves. The reserves balance has fallen over the past three years, and is under significant pressure. As the Authority is not permitted to be in a HRA fund deficit there is an increased risk of management override which we anticipate could occur by understating HRA expenditure, specifically within the special expenses and repairs and maintenance balances.</p> <p>To respond to this risk we will look at journal entries with unexpected account code combinations which reduce HRA expenditure and increase general fund expenditure.</p>

# Value for Money

## Value for Money

Our work over value for money has been started for the Council based on the approach outlined in our Audit Plan.

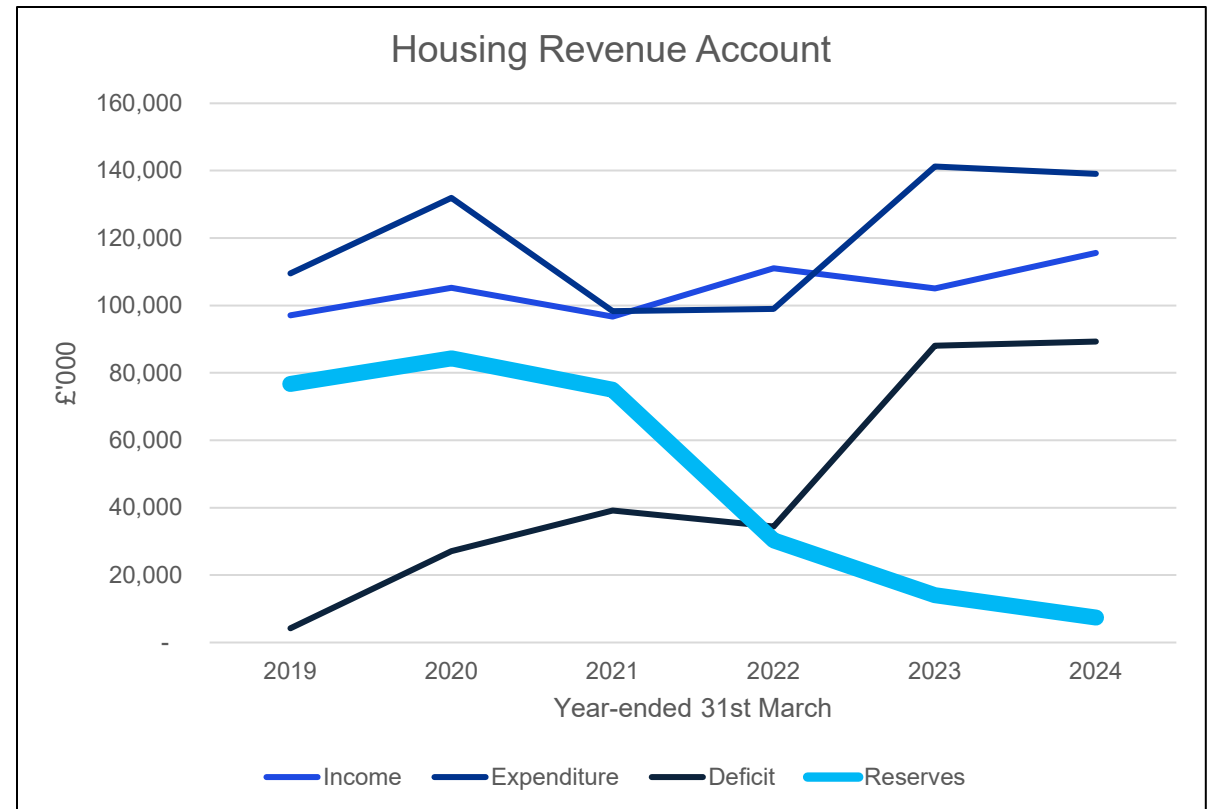
We have identified three areas for more detailed review. These are:

- Adult and Children's Social Care;
- HRA including governance over managing assets; and
- Financial sustainability.

Our work over value for money will continue through September, and there is more work to be completed over the areas described above. We hope to bring our Value for Money risk assessment to the next Audit & Risk Committee. This will include confirmation of any significant risks to Value for Money.

## Value for Money - HRA

We have included below a graph showing the change in HRA reserves over recent years. Trend analysis, such as this, has been used to help inform our risk assessment.



# Updates to our audit cycle & timetable

## Our schedule for 2023-2024

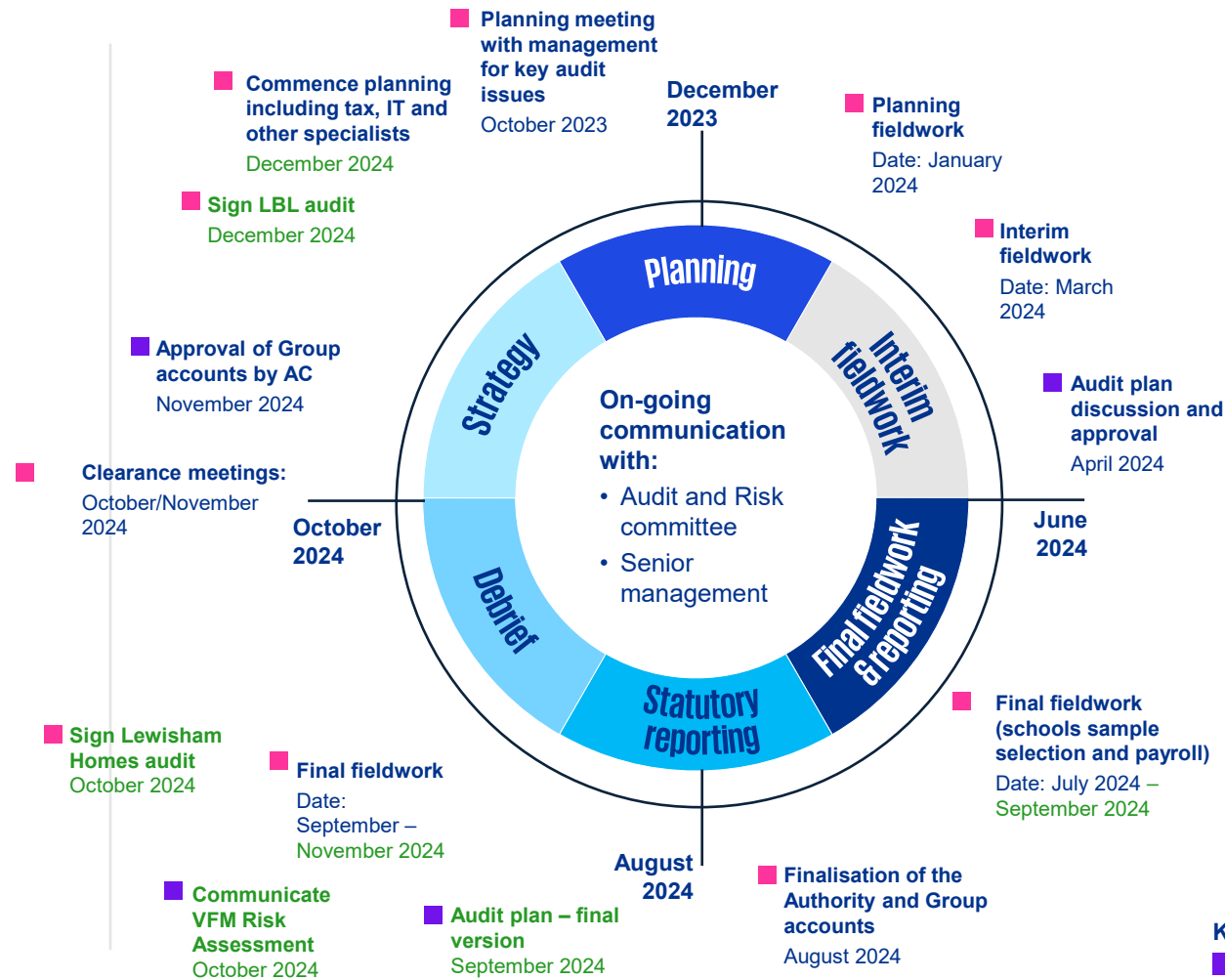
We have worked with management to generate our understanding of the processes and controls in place at the Authority in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by November 2024.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Authority and the Group at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government this audit schedule may be subject to change.

Changes to our original timetable have been highlighted in green.





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