



Audit & Risk Committee

External Audit Update

Date:	12 December 2024
Key decision:	No
Class:	Part 1
Ward(s) affected:	All
Contributors:	Katharine Nidd, Acting Director of Finance Terence Madgett, Chief Accountant

Outline and recommendations

The purpose of this report is to:

- Update the Committee on the progress of the 2023/24 External Audit of the Statement of Accounts.
- Update the Committee on the progress of the 2023/24 VFM Audit.
- Update the Committee on the progress of the 2023/24 External Audit of the Pension Fund Accounts.
- Confirm the timetable and approach to concluding the audit and full Council approval.
- Update the Committee on the progress in closing out open audit recommendations from previous years' audits.

The committee are recommended to:

- Note the contents of the report.

1. Summary

- 1.1 The purpose of this report is update the Committee on the progress of the 2023/24 External Audit of the Statement of Accounts, the 2023/24 VFM Audit, the approach and timing of concluding the audit and securing Full Council approval, and to update the Committee on the progress in closing out open audit recommendations from previous years' audits.

2. Recommendations

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

3. Policy Context

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

4. 2023/24 Audit of Accounts Update

- 4.1 The planning meeting for the 2023/24 external audit of the Councils Statement of Accounts between management and KPMG took place in October 2023 where key issues were discussed. Planning and interim fieldwork then took place with management completing numerous questionnaires on areas such as Fraud and Risk, IT controls, Internal audit, asset valuations, VAT, etc. Also, walkthroughs were carried out of various processes such as journal creating, approval and posting, income recognition, grants recognition and accounting, cash accounting, etc.
- 4.2 The draft 2023/24 Statement of Accounts was first published on the Council's website on Wednesday 19th June 2024, this excluded the Narrative Statement and AGS due to the upcoming election. The full draft was then published on the Council's website on Friday 26th July 2024. This was originally delayed from the statutory deadline of 31st May 2024 due to challenges in finalising the HRA figures due to the complexities of the transfer of Lewisham Homes services to the Council and the implementation of a new Housing management system.
- 4.3 For audit sample testing a large proportion of the samples were taken by KPMG during July and August 2024 and the final audit fieldwork has been taking place between September and December 2024. Sample testing has been substantially completed with a few outstanding queries on journals to be concluded. There are also a few other queries being worked through such as queries on PPE valuation and queries on input data used in the valuation of defined benefit obligation. These will be resolved during December 2024.
- 4.4 The publication of the final audited accounts was planned to be by 30 November 2024. Due to the scale of the work required, staff availability, etc. this date has not been met. It is now planned to complete the audit work and create the final set of accounts in December 2024. The sign off of the final Statement of Accounts by Council and KPMG is expected to be at the full Council meeting on the 22 January 2025.
- 4.5 KPMG the external auditors for London Borough of Lewisham Council and Pension Fund will present the Year End Report to the Audit & Risk Committee later on the agenda – See Appendix A. As part of this report there is a list of outstanding matters, briefly mentioned above, that Officers and KPMG are working through to complete during December 2024.
- 4.6 Within the KPMG Year End Report to the Audit & Risk Committee there are no uncorrected audit differences and 5 corrected audit misstatements that mostly relate

to the valuation of PPE, in particular Council Dwellings. Officers will make these agreed amendments to the draft accounts during the production of the final set of accounts.

- 4.7 Also, as part of the KPMG Year End Report to the Audit & Risk Committee there are recommendations raised as a result of the audit work in the current year. For the Council there are 9 recommendations raised (six priority 2 and three priority 3). Officers will take the Committee through these recommendations and verbally give the management responses at the meeting. Formal management responses will be provided to KPMG following the discussion with Audit and Risk Committee to include in the final report and the progress against these will be regularly reported to this Committee during 2025.

5. 2023/24 VFM Audit Update

- 5.1 KPMG the external auditors for London Borough of Lewisham Council and Pension Fund will present the Value for money risk assessment later on the agenda, see Appendix B.
- 5.2 The outcomes from the risk assessment procedures against each of the domains of value for money is included in the report. One significant risk identified has been identified in each of the domains Financial Sustainability and in Governance, although there are none for the domain of Improving Economy, Efficiency and Effectiveness.
- 5.3 Both of the significant risks are in relation to the Council's Housing Revenue Account (HRA), which continues in 2024/25 to remain under significant financial strain and is therefore not unexpected.
- 5.4 Officers will take the Committee through these recommendations and verbally give the management responses at the meeting. Formal management responses will be provided to KPMG following the discussion with Audit and Risk Committee to include in the final report and the progress against these will be regularly reported to this Committee during 2025.

6. 2023/24 Pension Fund Audit Update

- 6.1 KPMG the external auditors for London Borough of Lewisham Council and Pension Fund will present the Pension Fund Year End Report to the Audit & Risk Committee later on the agenda, see appendix C.
- 6.2 There are only minor adjustments required to the draft accounts, largely in relation to updating valuations where the draft accounts were prepared based on the valuations available at that time and have subsequently been revised as the 31 March 2024 valuations have become available during the audit period.
- 6.3 As part of the KPMG Pension Fund Year End Report to the Audit & Risk Committee there are recommendations raised as a result of the audit work in the current year. For the Pension Fund there is 1 recommendation raised (priority 3). Officers will take the Committee through the recommendation and verbally give the management response at the meeting.

7. Update on 2022/23 and 2021/22 Audit Findings Report Recommendations

- 6.1 The Audit Findings Reports for London Borough of Lewisham and Lewisham Pension Fund for the years ended 31 March 2023 and 31 March 2022, included an action plan. These consisted of a number of recommendations for the Council as a result of issues identified during the course of the 2022/23 and 2021/22 audits. There were 4 recommendations from the previous years audit and progress on these recommendations has been brought to this committee during 2023/24 and 2024/25. KPMG have included 3 of the 4 of these in their report as “Superseded” or “Implemented” and the other as “In Progress” - see “Control Deficiencies” section of the KPMG report “Year End Report to the Audit & Risk Committee” later on the agenda.
- 6.2 The progress against the one remaining open recommendation will continue to be reported to this committee during 2025 along with the eight new recommendations from the 2023/24 audit.

8. Financial implications

- 7.1 There are none arising direct from this report.

9. Legal implications

- 8.1 There are none arising direct from this report.

10. Equalities implications

- 9.1 There are none arising direct from this report.

11. Climate change and environmental implications

- 10.1 There are none arising direct from this report.

12. Crime and disorder implications

- 11.1 There are none arising direct from this report.

13. Health and wellbeing implications

- 12.1 There are none arising direct from this report.

14. Background papers

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

15. Report author(s) and contact

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16. Appendices

- 15.1 Appendix A: KPMG - Year End Report to the Audit & Risk Committee – Draft
- 15.2 Appendix B: KPMG - Value for money risk assessment
- 15.3 Appendix C: KPMG – Pension Fund Year End Report to the Audit & Risk Committee - Draft