

16th October 2012

Members of London Borough of Lewisham,
Town Hall
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Dear Member

London Borough of Lewisham Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of London Borough of Lewisham.

Financial statements and value for money conclusion

On 19th September 2012 I presented my Annual Governance Reports to the Audit Panel outlining the findings of my audit of the Council's 2011/12 financial statements. In summary the quality of draft 2011/12 financial statements and the working papers to support them were significantly better than the prior year, although there was scope for improvement. My audit testing identified material errors and disclosure improvements which management agreed to correct.

The Council has a strong culture of financial governance and leadership which is critical in meeting the financial management challenges and for securing financial resilience. There is a good track record of meeting budgets, delivering saving, supported by strong budget monitoring arrangements. The Council is now in year two of its four year efficiency strategy to deal with the economic climate and has successfully continued to deliver savings in 2011/12 towards its target of reducing costs by over £88m from Council's expenditure.

Following the Audit Panel on 19th September 2012 I:

- issued an unqualified opinion on the Council's 2011/12 financial statements included in the Council's Statement of Accounts on 27th September;
- concluded that the Council have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

On 3rd October I formally completed the 2011/12 audit by:

- reviewing and reporting to the National Audit Office on the Council's Whole of Government Accounts consolidation pack, and
- issuing my certificate to close the 2011/12 audit, as there are no legal matters or objections outstanding and no matters have been brought to my attention requiring me to consider exercising my formal statutory powers.

I repeated two recommendations to address significant weaknesses in internal control identified in 2010/11, and only partially implemented in 2011/12 which are to:

- fully implement the fixed asset system and test it to ensure that it is capable of producing timely and accurate information to support the entries in the financial statements,
- ensure that the pension fund bank account is used for all pension fund transactions in line with regulations.

In 2011 /12 I identified a weakness in the bank reconciliation processes and have recommended that the Council:

- carry out a full review of the bank reconciliation procedures to ensure there is a structured process to completing this key control in a timely manner.

Officers are taking action to address these weaknesses, implement my recommendations and will report on progress to the Audit Panel.

Grants Certification

The audit of the grants certification programme is progressing well with four of the six claims already certified. The largest and most complex claim is the Housing Benefit and Council Tax Benefit subsidy claim which I expect to sign off during October well ahead of the audit deadline of 30th November 2012.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Executive Director for Resources and Regeneration. While this has been another challenging year for the Council I wish to thank the finance staff for their positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit Panel for their support and co-operation during this audit.

Under arrangements made to abolish the Audit Commission the Council's new auditor, Grant Thornton will be responsible for conducting the 2012/13 audit.

Yours sincerely

Susan M Exton
District Auditor