



Audit Completion Report

London Borough of Lambeth
Year ending 31 March 2020

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Corporate Committee
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25 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we were due to present on 19 March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07721 234043.

Yours faithfully

Karen Murray
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1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of London Borough of Lambeth ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Corporate Committee meeting on 12 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Revenue recognition
- Valuation of Property, Plant & Equipment
- Valuation of Defines Benefit Pension Scheme liability

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion on the financial statements. As outlined in more detail in section 2, we intend to include Emphasis of Matter paragraphs within our auditor's report with respect to the material valuation uncertainty of property valuations and certain investments within Pension Fund valuation disclosed in the financial statements.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission following the completion of the work on the Council's Financial statements.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
IAS19 assurances	●	We are awaiting the auditors of the London Borough of Lambeth Pension Fund to provide us with the appropriate assurances in respect of the valuation and disclosures of the IAS19 liability within the Council's financial statements.
Provisions	●	We are continuing to discuss with the Council the accounting for the additional £20m provision in respect of the Redress scheme to properly reflect the updated estimate of liability. This has not yet been reflected within the draft financial statements.
Cash and Bank	●	We are finalising our work on cash and bank.
Final review and closure procedures	●	We are currently completing our file review. We cannot complete our closure procedures until all outstanding points are resolved and the revised accounts are received. We also need to receive management's letter of representation and complete our consideration of post balance sheet events to the date of final sign-off. .
Whole of Government Accounts (WGA)	●	Our work on the WGA return will take place later in the year

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Corporate Committee with a written update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £19.46m using a benchmark of 1.5% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £17.47m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Corporate Committee, at £0.524m based on 3% of overall materiality.

2. EXECUTIVE SUMMARY (CONTINUED)

Overview of our group audit approach

Our Audit Strategy memorandum provided details of our intended group audit approach, including our initial assessment of group materiality. The table below confirms the approach we have taken to auditing the Council's consolidated financial statements.

Entity	Nature of entity audit	Auditor	Description of audit procedures undertaken on the component	Changes to audit approach
HFL Group Limited (subsidiary)	Statutory audit	Moore UK	We reviewed the consolidation balances for the entity in comparison to confirmation from the entity auditor, together with audit of associated consolidation adjustment journals.	None
HFL Build Limited (subsidiary)	Statutory audit	Moore UK	We reviewed the consolidation balances for the entity in comparison to confirmation from the entity auditor, together with audit of associated consolidation adjustment journals.	None
HFL Living Limited (subsidiary)	Statutory audit	Moore UK	We reviewed the consolidation balances for the entity in comparison to confirmation from the entity auditor, together with audit of associated consolidation adjustment journals.	None
HFL Homes Limited (subsidiary)	Statutory audit	Moore UK	We reviewed the consolidation balances for the entity in comparison to confirmation from the entity auditor, together with audit of associated consolidation adjustment journals.	None

Group materiality

We set materiality at the planning stage of the audit at £19.59m using a benchmark of 1.5% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £17.59m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £0.528m based on 3% of overall materiality).

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Corporate Committee in a follow-up letter.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

With the exception of our findings on the redress provision, as detailed on page 11, there are no significant findings arising from our review of areas of potential management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Revenue recognition

Description of the risk

Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.

Based on our initial knowledge and planning discussions we concluded we could rebut the presumption of a revenue recognition risk for the majority of the Council's revenue income. In particular we rebutted the revenue recognition risk for income derived from Council Tax, Grants and NNDR due to the low inherent risk associated with these amounts.

We did not rebut the income risk relating to other material income streams within the Council, such as adult social care costs and charges for use of Council facilities, where the level of inherent risk is higher.

How we addressed this risk

We addressed this risk by obtaining a detailed understanding of the Council's processes to ensure that revenue and expenditure are materially recognised in the correct accounting year, and we performed the following work:

- detailed testing of transactions within the 2019/20 financial statements to confirm they were accounted for in the correct year;
- testing from payments and receipts around the year-end to provide assurance that there were no material unrecorded items of income and expenditure in the 2019/20 accounts.

Audit conclusion

There are no significant findings arising from our review of revenue recognition

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Property, Plant & equipment valuation

Description of the risk

Where a Council's assets are subject to revaluation, the Code requires that the year end carrying value should reflect the appropriate fair value as at that date. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five year cycle, and may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end fair value.

In respect of Council Dwellings, these are reviewed using a beacon valuation methodology, which values Council stock by grouping assets into type and using a nominated beacon asset for each group. The assessed value is uplifted based on an open market assessment then amended for an adjustment factor provided by MHCLG.

Due to the high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.

Update to risk

The Covid-19 pandemic has had an impact on all markets with initial significant impact on valuations. In March 2020, RICS issued a valuation practice alert in response to the Coronavirus global pandemic, setting out guidance in light of the potential impact, noting there will be a greater level of uncertainty over valuations as a result of a lack of comparable market or cost data.

This lack of relevant recent market or cost data upon which to base a valuation, combined with limited ability to physically inspect properties, has given rise to a potential for material valuation uncertainty disclosures within valuers' reports. It is noted that, even where data is available, the current market circumstances may make that data less reliable than has previously been the case.

The alert has reminded valuers of the potential need to disclose that material uncertainty exists over the valuations as part of their reports. It is clear in the alert that such a disclosure is not a disclaimer and that valuers can still provide valuations where material uncertainty exists.

The Council's valuer applied a material valuation uncertainty paragraph to the valuations performed as at 31 March 2020.

How we addressed this risk

We addressed this risk by reviewing the approach adopted by the Council to assess the risk that assets not subject to valuation at year end were not materially misstated, and considered the robustness of that approach.

We also assessed the risk of the valuation changing materially in year, and considered the movement in market indices between revaluation dates and the year end, in order to determine whether these indicate that fair values have moved materially.

In addition, for those assets which have been revalued during the year we:

- assessed the valuer's qualifications;
- assessed the valuer's objectivity and independence;
- reviewed the methodology used; and
- performed testing of the associated underlying data and assumptions.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Property, Plant & equipment valuation

In response to the additional issues arising from the pandemic we have completed additional procedures around the valuation of items at the end of the year, including review of the responses to the updated RICS guidance and available data to support valuation movements arising on assets in the period.

- obtain and document an understanding of the market/cost data used by the valuer in forming the valuations
- obtain and document an understanding of the arrangements that the Council has put in place to assure itself that the valuation is materially accurate, which may involve arrangements put in place after the year end to update valuations to use actual cost/market data as opposed to estimated data
- challenge the market/cost data used, by comparing against other relevant data.

Audit conclusion

Our review of revaluations completed in the year has identified an error in the assessment of one valuation and in the treatment of additions in the final quarter in relation to this asset. Management have amended the accounts for this and further detail is shown in the adjusted misstatements on page 18.

Our work also identified that, although the Council's external valuer had identified a movement in the valuation of HRA properties between that date of valuation (31 December 2019) and 31 March 2020, this had not been reflected within the Council's draft financial statements as the Council was discussing the appropriateness of the revaluation in light of the impact of the pandemic. The financial statements have now been amended for this. Further detail is shown in the adjusted misstatements on page 18.

The Council's external valuer has included a material valuation uncertainty paragraph within their valuation report. The Council has now included a disclosure of the material valuation uncertainty in note 2a to the financial statements. In our view, this matter is fundamental to the users' understanding of the financial statements and as such we intend to include an 'Emphasis of Matter' paragraph in respect of this disclosure within our auditors report set out in Appendix B.

As part of our closedown procedures, we are currently finalising our review of the statements to ensure the above amendments and disclosures have been correctly reflected.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Defined benefit liability valuation

Description of the risk

The latest triennial valuations of London Borough of Lambeth Pension Fund and the London Pension Fund Authority were completed at 31 March 2020. As an admitted body within the funds, the valuation also provides the basis of the associated net pension liability for the Council as at 31 March 2020.

The valuation of the Council's net liability includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council's employees and other appropriate data.

Due to the high degree of estimation uncertainty associated with these valuations, we determined there is a significant risk in this area

How we addressed this risk

We addressed this risk by reviewing the controls the Council had in place over the information sent to the Scheme Actuaries by the fund administrators (London Borough of Lambeth Pension Fund and London Pension Fund Authority). We also:

- assessed the skill, competence and experience of the actuary for each Fund;
- challenged the reasonableness of the assumptions used by the actuaries as part of the annual IAS 19 valuation;
- carried out a range of substantive procedures on relevant information and cash flows used by the actuaries as part of the annual IAS 19 valuation.

In response to the potential valuation uncertainty arising from the Covid-19 pandemic we have requested assurance from the Pension Fund auditors on the work performed on unquoted investment valuations.

Audit conclusion

We have reviewed the confirmation provided by the auditor of the London Pension Fund Authority and note they have drawn attention to issues within the valuation of certain of the Pension Fund assets. Material valuation uncertainty paragraphs have been included within some valuation reports. We are agreeing with the Council a disclosure of the material valuation uncertainty in the financial statements. In our view, this matter is fundamental to the users' understanding of the financial statements and as such we intend to include an 'Emphasis of Matter' paragraph in respect of this disclosure within our auditors report set out in Appendix B.

As noted above, we are currently awaiting confirmation of any findings arising from the work of the auditor of the London Borough of Lambeth Pension Fund..

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Redress scheme

Description of the management judgement

In response to historic abuse cases at Council run children's homes and a school, the Council has set up a redress scheme for affected individuals to provide some level of recompense. The scheme was initially open for applications for a period of two years, ending in January 2020, with individual claims subject to assessment and review prior to any payment being made.

In view of the IICSA review being completed during 2020, the Council has decided the scheme should remain open to new claims for a period beyond the initial planned period.

The Council has received government approval to capitalise the associated costs of the scheme as they are incurred, up to a total value of £100m. The Council continuously monitors the scheme and obtains an independent actuarial assessment of the likely remaining costs from the scheme.

How our audit addressed this area of management judgement

We have reviewed the current position on the scheme. We have reviewed management's assessment of the estimate for the costs of the scheme based on claims received and settled to date, claims received but not yet settled and the likely level of potential claims that may yet be received given the decision to extend the closing date.

Audit conclusion

We have reviewed the Council's expenditure and analysis in respect of the redress costs and associated provision within the financial statements and note:

- As a result of the recognition that further claims are likely following the IICSA review, the period in which the scheme accepts claims has been extended and now finishes on 1 January 2022.
- Expenditure of £68.7m has been incurred on claims in the financial year, with £15.5m remaining within the provision at the end of the year.
- The Council's current best estimate of the total cost of the scheme has increased to £120m. Management have accepted the need to amend the accounts to reflect this increase in costs and to increase the balance on the provision at 31 March 2020.

We are currently finalising our discussions with the Council on the amendments to the financial statements to reflect the increased costs of the Redress scheme. The Council has requested an extension to the capitalisation direction in respect of these additional costs, but has yet to receive confirmation it has been granted.

We will provide an update to the Corporate Committee on the progress with the amendments to the financial statements.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Group Accounts

Description of the management judgement

As a result of increases in the volume and value of transactions occurring within the Councils wholly owned subsidiary companies, the Council will for the first time be including group accounts within its financial statements.

These group financial statements and associated disclosure notes will consolidate and report the results of the Council and its subsidiary entities.

How our audit addressed this area of management judgement

We have discussed the Council's approach to preparing the group financial statements, and the proposals for the details and associated supporting disclosure notes to be included.

We will discuss timetables for information are appropriate to allow for both the preparation and audit of the group statements in advance of the proposed date for signing the opinion on the Councils full financial statements.

Audit conclusion

There are no significant findings arising from our review of the consolidation process.

However, the draft accounts presented for audit did not include all of the group statements and disclosure notes required by the CIPFA Code. These have now been included within the revised financial statements.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 9 June 2020. Supporting working papers were made available to us at the start of the audit and were of a good quality.

Significant matters discussed with management

We discussed the following significant matters with management:

- The impact of COVID-19 on the Council, including potential impact on risks of material misstatement to the valuation of Property, Plant & Equipment, the assessed provision for expected credit losses and the potential overall impact on the Council's financial position.
- Redress provision – We have discussed the current position on the redress scheme, including the impact of the extension of the period for claims on the overall provision included in the financial statements and the associated extension to the capitalisation direction.
- Financial instruments – We have reviewed the Council's accounting for its investment in the Resonance Property Fund, agreeing a revision to this and the associated value in line with the requirements of IFRS9
- Going Concern – we have reviewed management's assessment of the Council as a going concern and have reviewed treasury management forecasts and Cabinet finance papers to support the going concern assessment.
- Group Accounts – the Council has assessed its subsidiaries, associates and joint ventures and, as it considered them to be material, has prepared group accounts accordingly. We have considered management's judgement and the associated working papers prepared for the consolidated group accounts and are satisfied that the decision to prepare group accounts is appropriate

Significant difficulties during the audit

Despite the undoubted impact of the pandemic on both the preparation and completion of the draft accounts as well as our audit work, during the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. We would like to express our thanks to management and officers for their co-operation throughout the audit.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have received one objection in relation to the 2019/20 accounts which we are currently considering.



2. SIGNIFICANT FINDINGS (CONTINUED)

Modifications required to our audit report

We have identified the following issues which has resulted in us proposing to issue a change to our audit opinion. Our draft auditor's report, in full, is set out in Appendix B.

- As described further within our response to the significant risk over the valuation of the Council's Property, Plant and Equipment, our draft auditor's report set out in Appendix B, includes an emphasis of matter paragraph with respect to the Council's disclosure of material valuation uncertainties. Our opinion on the Council's and Group's financial statements is not qualified in respect of these matters.
- In addition, as described within our response to the significant risk over the valuation of the Council's IAS19 pension liability, our draft auditor's report set out in Appendix B may need to include additional disclosures in respect of the valuation of the liability. We will update the Corporate Committee once we have received the appropriate sign off from the auditor of the London Pension Fund Authority and can update on the implication for the auditors report.



3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	3

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Lease disclosures – Level 3

Description of deficiency

As part of the audit we have completed a detailed review of the Council's disclosures in respect of leases. When reviewing the disclosures in respect of leases where the Council is the lessor we identified errors in the assessment of future lease disclosures, with the calculation for all lease payments being based on the incorrect starting point (year). As a result the assessed value of future lease payments was overstated.

In addition, testing of leases where the Council is the lessee we identified an errors in the assessment of future lease disclosures for a tested item, with the calculation not being updated to reflect a change in the specific lease arrangement. As a result the value of future lease payments was understated.

Potential effects

Errors in the calculations give rise to the Council including incorrect disclosures within the financial statements.

Recommendation

The Council should review its procedures for review and update of the future lease disclosure payments, ensuring that these are updated for changes in financial periods and amendments to individual leases as appropriate.

Management response



3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Group disclosures – Level 3

Description of deficiency

On receipt of the draft financial statements we completed an initial review of the content and disclosure that have been made by the Council. This review noted improvements were required to disclosures in respect of the around the group financial statements. Particular improvements noted for inclusion were:

- Amendment of the primary statements included within the Group statements
- Update of disclosures to include comparative data
- Revisions of the notes to the group statements to include additional information in line with the Code requirements
- Extension of the Council disclosures in respect of related party transactions

Potential effects

The Council including insufficient disclosures within the financial statements.

Recommendation

The Council should review its procedures for review and update of the disclosure within the financial statements, ensuring there is sufficient consideration of the Code requirements and the understanding of the user of the accounts when agreeing the disclosures to be made.

Management response



3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Financial Instrument disclosures – Level 3

Description of deficiency

As part of the audit we have completed a detailed review of the Council's disclosures in respect of its financial instruments. As part of this review we noted an apparent inconsistency in the assessment of one specific asset, for the Resonance Property Investment Fund, which we considered should be valued on a different basis under the requirements of IFRS9. As a result the Council has reviewed the assessment and valuation of the asset and made appropriate adjustments and disclosures within the revised draft financial statements..

Potential effects

Incorrectly classifying an asset or liability in line with the requirements of IFRS 9 gives rise to errors in the calculations of values and the Council including incorrect disclosures within the financial statements.

Recommendation

The Council should review its procedures for review and update of its assessment of individual financial assets and liabilities, ensuring that these are updated for changes in values as appropriate.

Management response



4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.524m.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: CIES – Net cost of services	£548			
Cr: Intangible assets				£548
Dr: Capital adjustment account			£548	
Cr: CIES – Adjustments account		£548		
Being the entry to increase the value of the amortisation charged in the year in respect of the Council Intangible assets. The adjustment being required due to errors in the calculation of the and the use of useful lives not in accordance with the Council's accounting policy.				
Total unadjusted misstatements	£548	£548	£548	£548

4. SUMMARY OF MISSTATEMENTS

Adjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: PPE valuations (L&B) Cr: CIES – Revaluation gains Dr: CIES – Capital adjustments Cr: Revaluation reserve	£2,346	£2,346	£2,346
Being the adjustment to revise the valuation of one property to reflect the impact of additions not considered within the original revaluation entries.				
2	Dr: PPE valuations (HRA) Cr: CIES – Revaluation gains Dr: CIES – Capital adjustments Dr: Revaluation reserve	£24,895	£24,895	£24,895
Being the entry to reflect the increase in the value of the Council HRA stock identified by the appointed valuer and not included within the original draft financial statements.				
3	Dr: CIES - Surplus / Deficit on provision of services Cr: Long term investment Dr: Unusable Reserves – FIAA Cr: CIES – Capital adjustments	£3,759	£3,759	£3,759
Being the adjustment required to recognise the revaluation of the Council's investment in the Resonance Property Fund under the requirements of IFRS9.				
4	Dr: CIES – Net cost of services Cr: Redress Provision Dr: Unusable Reserves – Redress (TBC) Cr: CIES – Capital adjustments (TBC)	£20,000	£20,000	£20,000
Being the adjustment required to increase the provision for the redress scheme to the value assessed as the total potential claims in the period covered by the scheme.				
Total unadjusted misstatements		£51,000	£51,000	£51,000

4. SUMMARY OF MISSTATEMENTS

Disclosure amendments

During our review of the financial statements we identified some amendments to disclosures. The following were amended by management.

- **Accounting policies** – A number of revisions to ensure the accounts reflect the requirements of the Code.
- **IFRS 9** – revision to the disclosures (including associated recalculation of values) in respect of the Council's financial assets and liabilities.
- **Related party disclosures** – significant expansion of the note to include additional disclosures arising from the increase in transactions with group companies in the financial period.
- **Property, Plant and Equipment** – revisions to the detailed disclosures in the note to the financial statements to reflect the above amendments and the required disclosures in the Code.
- **Lease disclosures** – revision to the disclosures in respect of agreements where the Council is the Lessor as a result of errors in the calculations.
- **Redress provision** – We are continuing to agree appropriate revision to the accounts for the increase in the provisions and disclosure notes setting out the Council's position in respect of the redress scheme and provision.
- **Group accounts** – inclusion of updated primary statements and additional note disclosures for the group accounts to ensure compliance with the requirements of the code.
- **General** – A number of other changes have been made to the financial statements to improve clarity and compliance with the CIPFA code.



5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Borough Plan sets out the four ambitions and 20 associated goals for the Council and its partners over the next two years. Delivery of the ambitions and goals is subject to regular review through the use of a range of performance information to assess the progress with the delivery and impact on the overall performance and budget of the Council.</p> <p>Supporting the delivery of the borough plan, the Council has well developed arrangements for decision making and procedures to be followed to ensure these are efficient, transparent and accountable. While it has a number of responsibilities, the Corporate committee fulfils the expected functions of an Audit committee and has continued to meet regularly throughout the year, receiving reports from a range of services, including internal and external audit, and challenging the content and findings / recommendations as appropriate.</p> <p>Detailed risk management arrangements are in place including ongoing review of the Corporate Risk Register by the Corporate team. Progress on risk management at both a corporate and service level is also reviewed and challenged by the Corporate Committee at meetings. This includes consideration of the key changes to, and judgements on, individual risks as appropriate.</p> <p>The Council has had a detailed Treasury Management Strategy in place for a number of years, with regular Treasury Management reporting throughout the year, including to the Corporate Committee as appropriate. Decisions on treasury management are linked with the overall MTFs and capital programme of the Council and is subject to challenge and review in light of performance in the year and changes such as the in year increase to PWLB lending rates.</p> <p>There has been regular reporting to Cabinet of performance and financial information throughout the year, with a medium term financial plan (covering the period to 2022/23) in for the year ended 31 March 2020. A balanced budget was set for 2019/20 with a minor overspend of £1.5m at year-end. The pre Covid updated MTFs for the period to 2023/24 was balanced, following the identification of appropriate savings.</p>	Yes



5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Medium Term Financial Plan, as approved by full Council ahead of the start of the 2019/20 financial year, has been subject to regular reporting throughout the period, with progress against the Council's savings plans being monitored throughout the year.</p> <p>The output from these monitoring process, including any improved savings plans are fed into the development of an updated Medium Term Financial Plan covering the period to 2023/24. The Council's updated MTFP was presented to Cabinet in November 2019, and identified a funding gap of £6.001m to be able to remain within forecast funding levels. The further review and update prior to the setting of the 2020/21 budget, combined with the impact of the Local Government Spending updated for 2019/20 identified an increase in the funding gap to £28.023m. This also confirmed that the council had identified savings plans to meet this over the life of the plan.</p> <p>At the point of setting both the budget for 2020/21 and the MTFS there remained some uncertainties in the future of local authority funding from the one year extension of the local government settlement, the Fair Funding Review for Local Government, and the impact on the Council of the change in the business rates retention scheme, which London councils have agreed at 67% for 20/21 prior to the expected 75% retention form 2021/22. These issues have been reflected in plans but, as uncertainties remain the Council continues to develop further savings initiatives.</p> <p>The council's MTFS has number of main objectives including prioritising resources in-line with the Council's Borough Plan, maintaining a balanced budget position, provide a framework to assist with decision making, manage the Council's finances over a three year rolling strategy, delivering value for money, exercising probity, prudence and financial control, managing risk and targeting resources at key priorities. Both the developed budget for 2020/21 and the longer term MTFS have sought to respond to the councils developed borough plan and its four ambitions / goals:</p> <ul style="list-style-type: none"> - Enabling growth and development in the borough - Using the benefits of that growth to build community resilience - Reform the way we commission and deliver services with our partners to provide and promote care and independence - Making Lambeth a place where people want to live, work and invest money <p>In view of the net revenue position in 2019/20, the setting of a balanced budget for 2020/21, including the identification of the required £9.1m of savings, the Council's continued approach to identifying further savings in response to the developing funding position, as well as the overall managed response to the pandemic, we consider the approach to securing value for money to be appropriate.</p> <p>We do note the identified funding gap across the life of the MTFS (2020/21 – 2023/24) has increased significantly as a result of the COVID-19 pandemic, with the Council incurring additional costs and generating reduced revenue as a result. The Council has received detailed briefing papers on the likely financial impact of the pandemic and is reviewing and refreshing the MTFS to take account of these changes. The capital programme is also being reviewed and updated for the implications of the funding changes..</p>	Yes

5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	<p>The Council continues to work with a range of third parties and is committed through its better fairer Lambeth programme, as launched in October 2019, to working with them to improve the lives of people who live and work in the borough. The Borough Plan has been driven by Lambeth First - a partnership between the Council, the NHS, businesses, community groups and charities across the borough – and has given rise to four ambitions and 20 associated goals to focus joint work over the next two years.</p> <p>Through joint working the Council is seeking to collaborate, tackle inequality, be transparent and deliver value for money and is using range of regularly reported performance information to ensure progress continues with the delivery of the goals set out in the Borough Plan.</p> <p>In May 2019 the Council received a focused service inspection of Children’s services, following up on the previous full Ofsted review and this confirmed that the Council has continued to make progress in addressing issues identified. In addition, a joint CQC and Ofsted focused review of SEND arrangements has also been completed. This has been reported and, while not providing an overall assessment, has identified areas of good performance and for improvement. The Council is currently responding to these as appropriate in view of the impact of the pandemic.</p>	Yes



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk(s). The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>The financial forecast reported to Cabinet in February 2020 shows that the Council is forecasting an overspend of approximately £6.965m for 2019/20, which the is continuing to manage. There continue to be significant funding / demand pressures within Adult Social Care and Children's services, with significant overspends arising within Children's services as well as Residents services. Spending pressures are being managed through existing resources, one-off grants, growth in generated income and ongoing reviews of specific policies.</p> <p>The Authority's Medium Term Financial Plan for the period to 2023/24, as presented to Cabinet in November 2019, identified a funding gap of £6.001m to be able to remain within forecast funding levels. As a result of further announcements the funding gap increased to £28.023m, and the Council has identified savings to meet this requirement.</p>	<p>We will review the controls put in place by the Council to ensure financial resilience, including the ongoing development and implementation of the Medium Term Financial Plan, ensuring that is taking into consideration factors such as potential funding reductions, salary and general inflation, demand pressures, etc.</p> <p>We will specifically review management actions and mitigations to address the forecast overspend and ensure delivery against the agreed budget.</p>	<p>We have no significant issues arising from our work to report and note that the Council is continuing to respond to the challenges presented by the Covid pandemic.</p>

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD
[Date]

Dear Karen

London Borough of Lambeth - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of London Borough of Lambeth ('the Council') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director: Finance & Property that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates are reasonable, including:

- those measured at current or fair value; and
- provision for NNDR Appeals.

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DRAFT MANAGEMENT REPRESENTATION LETTER

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director: Finance & Property for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Group accounts

I confirm I consider the inclusion of the Council's subsidiary companies that have not been included within the group accounts prepared, would not have a material impact on the accounts. Group accounts have therefore not been completed.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements, as shown in the appendix to this letter, are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours sincerely

Christina Thomson
Director: Finance & Property, Section 151 Officer

APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of London Borough of Lambeth

Report on the financial statements

Opinion

We have audited the financial statements of London Borough of Lambeth ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2020, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of London Borough of Lambeth and the Group as at 31st March 2020 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and Group 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director: Finance & Property's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director: Finance & Property has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's or the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of Matter – the valuation of land and buildings and property investments

TBC - We draw attention to note 2a of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings as at 31 March 2020. As disclosed in note 2a to the financial statements, the outbreak of Covid-19 has had a significant impact on financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

TBC - We draw attention to note xxx of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's IAS19 pension liabilities as at 31 March 2020. As disclosed in note xxx to the financial statements, the outbreak of Covid-19 has had a significant impact on financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in the relevant fund valuation reports for both the London Borough of Lambeth Pension Fund and the London Pension Fund Authority. Our opinion is not modified in respect of this matter.

Other information

The Director: Finance & Property is responsible for the other information. The other information comprises the [the Annual Governance Statement and] information included in the [Statement of Accounts], other than the financial statements and our auditor's report thereon. 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.

The Director: Finance & Property is responsible for the other information. The other information comprises the [the Annual Governance Statement and] information included in the [Statement of Accounts], other than the financial statements and our auditor's report thereon. 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.

APPENDIX B

DRAFT AUDITOR'S REPORT

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. 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.

Responsibilities of the Director: Finance & Property for the financial statements

As explained more fully in the Statement of the Director: Finance & Property' Responsibilities, the Director: Finance & Property 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 2019/20, and for being satisfied that they give a true and fair view. The Director: Finance & Property is also responsible for such internal control as the Director: Finance & Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director: Finance & Property is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director: Finance & Property is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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.

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.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on London Borough of Lambeth's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, London Borough of Lambeth has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

APPENDIX B

DRAFT AUDITOR'S REPORT

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of London Borough of Lambeth, 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 members of the Council 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 members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have:

- completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- undertaken work on the objections raised in respect of the 2018/2019 financial statements.

We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Karen Murray
For and on behalf of Mazars LLP
Tower Bridge House
St Katharine's Way
London, E1W 1DD

[Date]

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APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



CONTACT

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