



# Audit Completion Report

London Borough of Lambeth

Year ending 31 March 2019

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

Corporate Committee  
Town Hall  
1 Brixton Hill  
Brixton  
London  
SW2 1RW

18 July 2019

Dear Members

### **Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. 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 presented on 29 January 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of the Acting Strategic Director: Finance and Investment and her team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me via [Karen.murray@mazars.co.uk](mailto:Karen.murray@mazars.co.uk)

Yours faithfully

Karen Murray  
Mazars LLP

Mazars LLP – Tower Bridge House, St Katharine's Way, London, E1W 1DD  
Tel: 020 7063 4000 – [www.mazars.co.uk](http://www.mazars.co.uk)

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VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of the Council for the year ended 31 March 2019, and forms the basis for discussion at the Corporate Committee meeting on 25 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 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 4 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 and expenditure recognition
- Property plant and equipment valuation
- Defined benefit liability valuation
- Redress scheme

## 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, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council has 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. (TO CONFIRM)

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019.

### 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. We have received a number of questions and objections which we are currently assessing.

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# 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 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Comprehensive Income and Expenditure Statement	We are reviewing the evidence provided by management in respect of a small number of sample items.
Bank and borrowing confirmations	We are awaiting one school bank account confirmation back from the bank.
Land and buildings	Our testing of the rights and obligations and valuations of a sample of properties is currently being finalised.
Narrative Report and AGS	Our review of the Narrative Report and AGS is in progress.
Closure procedures and review	Our final reviews and file completion work need to be performed, including consideration of post balance sheet events until the date of sign-off.
Whole of Government Accounts (WGA)	Our work on the WGA return will take place in August – the deadline for completing this work is 13 September 2019.

We will provide Corporate Committee with an 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 January 2019. 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 £13.1m using a benchmark of 1% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £12.2m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to Corporate Committee, at £389k based on 3% of overall materiality).

## Misstatements and internal control recommendations

We have not raised any internal control recommendations and nor are there any recommendations that required an update from the prior year.

Section 3 outlines the adjusted 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 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 10 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

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 there is a risk of material misstatement due to fraud on all audits.

#### How we addressed this risk

We addressed the risk through performing audit procedures, covering a range of areas including (but not limited to):

- accounting estimates included in the financial statements for evidence of management bias;
- any significant transactions outside the normal course of business; and
- journals and other adjustments recorded in the general ledger in preparing the financial statements.

#### Audit conclusion

There were no significant findings arising from our review of areas of potential management override of controls.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Revenue and expenditure recognition

### Description of the risk

Our audit methodology incorporates revenue recognition 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 have concluded that we can rebut the presumption of a revenue recognition risk for the majority of the Authority's revenue income. In particular we can rebut the revenue recognition risk for income derived from Council Tax, Grants and NNDR due to the low inherent risk associated with these amounts.

We are not rebutting the income risk relating to other material income streams within the Council, such as car parking income and charges for use of Council facilities, where the level of inherent risk is higher.

We consider that the pressure to manage income and expenditure to deliver forecast performance in a challenging financial environment could increase the risk of fraudulent financial reporting, leading to material misstatement. Our risk based testing on income will therefore be extended to cover expenditure also.

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### How we addressed this risk

We addressed this risk by obtaining a detailed understanding of the Authority's processes which assure it that revenue and expenditure is recognised in the correct accounting year. We carried out:

- detailed testing of transactions within the 2018/19 financial statements to confirm they are accounted for in the correct year;
- testing from payments and receipts around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2018/19 accounts.

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### Audit conclusion

There have been no significant findings arising from our review of revenue and expenditure recognition completed to date.

Our work in this area is being finalised and we will provide the Corporate committee with an appropriate update.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Property, plant and 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, which may result in individual assets not being revalued for four 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.

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### 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 are not materially misstated, and consider the robustness of that approach.

We also assessed the risk of the valuation changing materially in year, considering 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.

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### Audit conclusion

Based on the work completed to date there are no significant findings arising from our review of property, plant and equipment valuation

As noted previously, our work in this area is being finalised and we will provide the Corporate committee with an appropriate update.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation	<p>The last triennial valuation of the Lambeth Pension Fund was completed as at 31 March 2016. As an admitted body within the Fund, the valuation provides the basis of the associated net pension liability for the Council as at 31 March 2019.</p> <p>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 have determined there is a significant risk in this area.</p> <p>Local Government Pension Schemes have included an interim solution since 2016 on Guaranteed Minimum Pension (GMP) equalisation and as such, this is not considered part of the defined benefit liability valuation risk.</p>

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### How we addressed this risk

As the Council is the Fund administrator, we addressed this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary, Hymans Robertson.

We also:

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

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### Audit conclusion

The NAO's consulting actuary (PwC) has reviewed assumptions used by all LGPS actuaries in 2018/19. Their review identified two matters:

- The impact of GMP equalisation may not be fully included in LGPS annual IAS 19 valuations; and
- The impact of a legal case held during the year (known as the McCloud case), concerning potential age discrimination in relation to transition provisions introduced as part of pension reform measures, has not been included in any LGPS annual IAS 19 valuations.

In our view, these matters gives rise to a constructive obligation, which are required to be recognised under IAS 19, which could have a potential material impact on the pension liability disclosed. The Council has consulted with its actuary and has obtained an assessment of the impact of these matters, and has updated the disclosures in the statement of accounts to reflect the additional liability.

Our review of disclosures under IAS19 has also identified a misstatement arising from an adjustment or £27,058k made in a prior year that had not been revised in the year after initial entry. We have agreed with the Council that they will revise the prior year figures to remove this value from the financial statements.

Subject to the amendment of the accounts for the above updated actuarial valuation and the identified prior period adjustments, there were no significant findings arising from our review of the defined benefit liability valuation.

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## 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 is open for applications for a period of two years, with individual claims subject to review and assessment prior to any payment being made.

The Council has engaged an Actuary to perform an actuarial assessment of the likely costs arising from the scheme and has received government approval to capitalise the associated costs as they are incurred.

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#### How our audit addressed this area of management judgement

We reviewed the latest actuarial assessment of the Council's liability based on the latest position on the scheme, reflecting in particular the level of payments made to date, the assessed value of future payments based on the claims received, and an assessment of the possible claims likely to be received before the end of the two year claim period.

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#### Audit conclusion

Our work has not highlighted any material issues to bring to your attention.

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## 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 31 May 2019 and were of a good quality. Supporting working papers were made available to us and were of a good quality.

### Significant matters discussed with management

We discussed the following significant matters with management:

- GMP and McCloud – these two pension liability issues give rise to at least a constructive obligation, which are required to be recognised under IAS 19. The Council has consulted with its actuary to obtain an assessment of the impact of these matters. This will result in an adjustment to the accounts. Further details are set out on page 8.
- Group Accounts – the Council has assessed its subsidiaries, associates and joint ventures and considers them to be not material either qualitatively or quantitatively. We have considered management's judgement and are satisfied the accounts are not materially misstated as a result of this judgement. In the coming years the Council will need to ensure it reviews this assessment and updates it for any significant changes.
- NDR Appeals Provision – the Council has not made any provision for appeals associated with NHS Trusts claiming charitable status. We are satisfied, based on the Council's assessment of the likely outcome of this case, that this will not result in a material misstatement.

### Significant difficulties during the audit

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 2018/19 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 a number of questions and objections on items within the draft financial statements and we are in the process of reviewing these and completing an assessment of the specific issues noted.

### 3. 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 £405k.

#### Adjusted misstatements - Prior Period

		Balance Sheet (at 1 April 2017)	
		Dr (£'000)	Cr (£'000)
1	Dr: Unusable Reserves	27,084	
	Cr: Long Term Liabilities (IAS19 deficit)		27,084

The adjustment of the opening balance sheet within the financial statements to remove the brought forward adjustment to IAS19 deficit.

#### Adjusted misstatements 2018/19

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

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Re-measurement of Defined benefit liability	11,500			
	Cr: Long Term Liabilities (IAS19 deficit)				11,500
	Dr: Unusable reserves			11,500	
	Cr: Adjustments between accounting and funding basis (MIR)S		11,500		

The adjustment record additional IAS19 liabilities arising from the GMP and McCloud judgements.

#### Disclosure amendments

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

- **Accounting polices:** A number of revisions to ensure the accounts reflect the requirements of the Code.
- **Financial instruments:** Various revisions and disclosure amendments to ensure the disclosures are appropriate for the type of financial instruments.
- **Prior Period Adjustment:** Revision to the disclosures and details within the financial statements to ensure the disclosures of the PPA are in line with the expectation of the Code.
- **General:** A number of other changes have been made to the financial statements not requiring individual analysis.

## 4. 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 Future Lambeth Plan sets out vision and priorities for the Council and its partners up to 2021. It continues with the changes made in Lambeth in recent years. It sets out three strategic priorities to continue to deliver services effectively within Lambeth to achieve 'a stronger, fairer and more prosperous Borough'.</p> <p>An active Corporate Committee is in place which has met throughout the year. Internal Audit have reported directly to the Committee during the year. Where it feels necessary, the Committee has actively challenged officers on the reports and issues presented to it.</p> <p>Risk management arrangements are in place including ongoing review of the Corporate Risk Register by the Corporate team. Progress on risk management is also reviewed and challenged by the Corporate Committee at meetings. This includes consideration of service based risk registers, including a 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 throughout the year. Regular Treasury Management reporting has been presented to the Corporate Committee in the period. The 2018/19 Treasury Management Strategy Statement was approved by the Council in March 2018.</p> <p>During the year there has been regular reporting to Cabinet of performance and financial information. A Medium Term Financial Plan was in place for the year ended 31 March 2019. A balanced budget was set for 2018/19 with a minor overspend of £1.5m at year-end. The budget for the period to 2022/23 is balanced, following the identification of appropriate savings, with the identified budget gap in 2021/22 being addressed during 2022/23.</p>	Yes

## 4. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Medium Term Financial Plan was approved by the full Council ahead of the 2018/19 financial year and was subject to regular progress reporting throughout the financial year. Capital and revenue financial performance was reported quarterly to the Cabinet.</p> <p>The Council's savings plans have been monitored throughout the year, with ongoing results and the identification of additional savings plans being used to assist in the development of a revised MTFS covering the period to 2022/23.</p> <p>In February 2019 the Council approved a MTFS for the period 2019/20 – 2022/23. This includes details of the savings to be made and the potential shortfall in budgets through the period of the strategy. Overall, although there is a minor shortfall in 2021/22, the MTFS for the 4 year period is balanced.</p> <p>We note that, at the point of setting the budget and MTFS in February 2019, there were uncertainties in local authority funding relating to the Government's Comprehensive Spending Review, the Fair Funding Review for Local Government, and the impact on the Council of the 100% business rates retention scheme and business rates reset. Appropriate assumptions have been made in respect of these, but as the uncertainties remain, the Council continues to develop further savings initiatives.</p> <p>In May 2018 the council received a new Ofsted report arising from a single inspection of Children's services, with the overall rating improving from 'Inadequate' to 'Requires Improvement', although there remain recognition of areas that have been assessed as inadequate. The Council continues to take steps to improve performance. A focused service inspection was undertaken in the year and reported in May 2019 which shows the Council has continued to make progress.</p>	Yes
Working with partners and other third parties	<p>The Council works with a range of third parties and has developed the 'Future Lambeth: Our Borough Plan' to set out the shared vision and priorities for the period to 2021. There are a number of important partnerships within this, working towards the three priorities of Creating inclusive growth, Reducing inequality and Building strong and sustainable neighbourhoods.</p>	Yes

## 4. VALUE FOR MONEY CONCLUSION (CONTINUED)

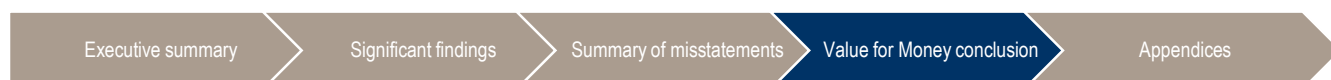
### Significant Value for Money risk

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 risk is outlined below.

Risk	Work undertaken	Conclusion
<p>Within our Audit Strategy we noted that the financial forecast indicated the Council was forecasting an overspend in 2018/19, with the budget being managed to ensure the impact of demand led services was minimised. There are recognised significant funding pressures within both Adult Social Care and Children's services.</p> <p>The Authority's Medium Term Financial Plan covers the period to 2022/23, and has identified the Council's need to make further savings of £43.232m to remain within forecast funding levels, with the 2019/20 budget recognising the need to continue to identify further savings proposals to allow for future changes to overall funding levels.</p> <p>The opinion by the Head of Internal Audit remains unchanged from prior years at 'Generally satisfactory with some improvements required', reflecting the need for improvements to the design and implementation of key financial controls in areas around the core systems.</p>	<p>We addressed this risk by reviewing arrangements for:</p> <ul style="list-style-type: none"> <li>• developing the Medium Term Financial Plan;</li> <li>• developing savings against planned targets; and</li> <li>• identifying future savings for 2019/20 and beyond.</li> </ul> <p>We have discussed and reviewed with management the control areas identified by Internal Audit for improvement. We are satisfied the Council has an action plan in place to address each area. Management have also identified a range of compensating controls which have been operational throughout the year.</p>	<p>We obtained sufficient assurance to conclude that adequate arrangements are in place.</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 2018/19 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

[To be provided to us on client headed note paper]

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 2019

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 2019 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 2018/19 (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 of Finance 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, including those measured at current or fair value, are reasonable.

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### 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 of Finance 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.

### Redress scheme

To the best of my knowledge, there is nothing to indicate that there is a significant change in the number of applicable claims and likely future payments to be made under the scheme.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Group accounts

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

### 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.

Yours sincerely

Christina Thompson  
Acting Strategic Director: Finance and Investment, 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 on the financial statements of London Borough of Lambeth

We have audited the financial statements of London Borough of Lambeth ('the Council') for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of London Borough of Lambeth as at 31 March 2019 and of its 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 2018/19.

#### 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 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 as applicable to public interest entities, 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 opinions.

#### 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 Acting Strategic Director: Finance and Investment's use of the going concern basis of accounting in the preparation of the Council's financial statements is not appropriate; or
- the Acting Strategic Director: Finance and Investment has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council'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.

#### Other information

The Acting Strategic Director: Finance and Investment is responsible for the 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. Our opinions 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.

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 Acting Strategic Director: Finance and Investment for the financial statements

As explained more fully in the Statement of the Acting Strategic Director: Finance and Investment's Responsibilities, the Acting Strategic Director: Finance and Investment is responsible for the preparation of the Statement of Accounts, which includes the Council's and Pension Fund's 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 2018/19, and for being satisfied that they give a true and fair view. The Acting Strategic Director: Finance and Investment is also responsible for such internal control as the Acting Strategic Director: Finance and Investment determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

The Acting Strategic Director: Finance and Investment is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 Acting Strategic Director: Finance and Investment is responsible for assessing each year whether or not it is appropriate for the Council to prepare the 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 Council's 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 opinions. 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](http://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 November 2017, 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 2019.

#### Basis for unqualified 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 November 2017, 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 2019.

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.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### **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.

### **Certificate**

#### **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. 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.

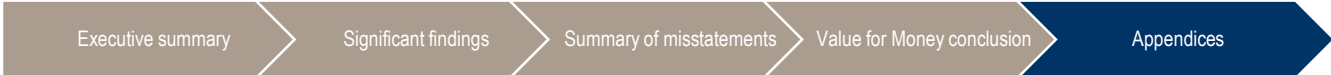
Karen Murray  
For and on behalf of Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

[Date]

# 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

**Karen Murray**

Director

Tel: 0161 238 9248

Email: [Karen.Murray@mazars.co.uk](mailto:Karen.Murray@mazars.co.uk)

**Stuart Frith**

Senior Manager

Tel: 020 7063 4409

Email: [Stuart.Frith@mazars.co.uk](mailto:Stuart.Frith@mazars.co.uk)