

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF LEWISHAM ON THE AUTHORITY'S FINANCIAL STATEMENTS

### REPORT ON THE AUDIT OF THE AUTHORITY'S FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of London Borough of Lewisham ("the Authority") for the year ended 31 March 2024 on pages 26 to 138 which comprise the Group and Authority Comprehensive Income and Expenditure Statements, Group and Authority Balance Sheets, Group and Authority Movement in Reserves Statements, Group and Authority Statements of Cash Flows, Collection Fund, Housing Revenue Account and the related notes, including the Expenditure and Funding Analysis and the accounting policies in Section 2.

In our opinion the financial statements :

- give a true and fair view of the financial position of the Group and the Authority as at 31 March 2024 and of the Group's and the Authority's income and expenditure 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 2023/24.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

The Executive Director for Finance, Digital and Corporate Resources has prepared the financial statements on the going concern basis as they have not been informed by the government of the intention to either cease the Group and the Authority's services or dissolve the Group and the Authority without the transfer of their services to another public sector entity. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Executive Director for Finance, Digital and Corporate Resources' conclusions, we considered the inherent risks associated with the continuity of services provided by the Group and the Authority over the going concern period.

Our conclusions based on this work:

- we consider that the Executive Director for Finance, Digital and Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the Executive Director for Finance, Digital and Corporate Resources' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Authority's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Authority will continue in operation.

#### Fraud and breaches of laws and regulations – ability to detect

*Identifying and responding to risks of material misstatement due to fraud*

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To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management, the Audit and Risk Committee and internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Assessing the incentives for management to manipulate reported financial performance as a result of financial pressures in order to be able to set a balanced budget for future periods.
- Reading Authority and Audit and Risk Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account the reducing balance of Housing Revenue Account ("HRA") reserves at the Authority over the past three years, and financial pressures on the Authority due to increasing demand, we performed procedures to address the risk of management override of controls in particular the risk that Group and Authority management may be in a position to make inappropriate accounting entries. On this audit we did not identify a fraud risk related to revenue recognition due to our assessment that there was limited opportunity for manipulation of revenue reported given the highly predictable nature of the funding provided to the Group during the year and the simple revenue recognition criteria.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected account code combinations which reduce HRA expenditure balances and increase general fund balances.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

***Identifying and responding to risks of material misstatement related to compliance with laws and regulations***

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with the Executive Director for Finance, Digital and Corporate Resources' and other management (as required by auditing standards), and from inspection of the Group's and the Authority's regulatory and legal correspondence and discussed with the Executive Director for Finance, Digital and Corporate Resources' and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements, including the financial reporting aspects of local government legislation, pensions legislation and other tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection laws, and social housing regulations, recognising the

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nature of the Group's and the Authority's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Executive Director for Finance, Digital and Corporate Resources and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

***Context of the ability of the audit to detect fraud or breaches of law or regulation***

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Other information**

The Executive Director for Finance, Digital and Corporate Resources is responsible for the other information, which comprises the 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, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the other information included in the Statement of Accounts for the financial year is consistent with the financial statements.

**Executive Director for Finance, Digital and Corporate Resources' and Audit and Risk Committee's responsibilities**

As explained more fully in the statement set out on page 16, the Executive Director for Finance, Digital and Corporate Resources is responsible for the preparation of financial statements that give a true and fair view. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the government of the intention to either cease the services provided by the Group and the Authority or dissolve the Group and the Authority without the transfer of their services to another public sector entity.

The Audit and Risk Committee of the Authority is responsible for overseeing the Authority's financial reporting process.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

**Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the "NAO Code of Audit Practice"), we are required to report to you if we identify any significant weaknesses in the arrangements that have been made by the Authority to secure economy, efficiency and effectiveness in its use of resources.

We have identified the following significant weaknesses:

**Significant weakness – financial sustainability**

During 2023/24, the Housing Revenue Account ("HRA") budget was overspent by £6.1m, driven primarily through reoccurring pressures on the cost of repairs, and the level of reserves stood at £7.4m at the year end, which is below the target level of 10% of rental and service charge income. This therefore reduces the ability of the Authority to respond to unexpected events.

Whilst work has been undertaken during 2023-24 to address the HRA reserve position, the arrangements in place have been insufficient in identifying and delivering recurrent savings at the value required to help ensure financial sustainability.

**Recommendation:**

The Authority should put in place arrangements to monitor the HRA position closely to ensure reserves are sufficient, especially in light of the repairs transformation programme and history of HRA reserves depletion. The Authority must also ensure that the 30 year long term strategy is supported by appropriate medium term actions and plans to deliver recurrent savings and opportunities to increase the HRA reserve position. This should include reporting to the relevant committees so those charged with governance can provide a view on whether the plan continues to be realistic so that appropriate remedial action can be taken, if required.

**Significant weakness – governance**

In October 2023 the Authority brought back in-house the management of its social housing stock from its wholly owned subsidiary Lewisham Homes Limited. The Authority subsequently self-referred to the Regulator of Social Housing in December 2023 due to concerns over the standard of some of its homes, including overdue fire remedial actions and repairs. The Regulator concluded that the Authority was not meeting the required outcomes of the Decent Homes Standard.

The Authority did not have the appropriate monitoring arrangements in place prior to bringing the management of the social housing stock back in house to fully understand the extent of the issues associated with its council dwellings.

**Recommendation:**

We recommend that the Authority ensures there is an appropriate governance mechanism in place to ensure that the remediation plans are closely monitored and that future issues with stock condition are identified and escalated on a timely basis.

**Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

As explained more fully in the statement set out on page 16, the Executive Director for Finance, Digital and Corporate Resources is responsible for ensuring that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are required under section 20(1) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We are also not required to satisfy ourselves that the Authority has achieved value for money during the year.

We planned our work and undertook our review in accordance with the NAO Code of Audit Practice and related statutory guidance, having regard to whether the Authority had proper arrangements in place to ensure financial sustainability, proper governance and to use information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

**Statutory reporting matters**

We are required by Schedule 2 to the NAO Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make written recommendations to the Authority under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in this respect.

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, 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 Authority and the members of the Authority, 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**

As at the date of this audit report, we have not yet completed our work in respect of the Authority's Whole of Government Accounts consolidation pack for the year ended 31 March 2024.

Until we have completed this work, we are unable to certify that we have completed the audit of the financial statements of the Authority for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO Code of Audit Practice.



**Fleur Nieboer**  
**for and on behalf of KPMG LLP**  
*Chartered Accountants*  
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5 February 2025

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF LEWISHAM ON THE PENSION FUND'S FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of London Borough of Lewisham Pension Fund ("the Pension Fund") for the year ended 31 March 2024 on pages 139 to 167 which comprise the Fund Account, the Net Assets Statement and the related notes to the Pension Fund financial statements, including the summary of significant accounting policies.

In our opinion the Pension Fund financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under and are independent of the London Borough of Lewisham (as administering authority for the Pension Fund, the "Authority") in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The Executive Director for Corporate Resources has prepared the Pension Fund financial statements on the going concern basis as they have not been informed by the government of the intention to either cease the Authority's services or dissolve the Authority without the transfer of its services to another public sector entity. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Pension Fund financial statements ("the going concern period").

In our evaluation of the Executive Director for Corporate Resources's conclusions, we considered the inherent risks associated with the continuity of services provided by the Authority over the going concern period.

Our conclusions based on this work:

- we consider that the Executive Director for Corporate Resources's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate; and
- we have not identified, and concur with the Executive Director for Corporate Resources's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Authority will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management and the Audit and Risk Committee as to the Pension Fund's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the

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Pension Fund's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected, or alleged fraud.

- Reading Pension and Audit and Risk Committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible financial pressures at the Authority and our overall knowledge of the control environment we performed procedures to address the risk of management override of controls in particular the risk that Pension Fund management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we did not identify a fraud risk related to revenue recognition because of the simple nature of revenue in a pension scheme whereby the revenue relates to contributions receivable based on agreed schedules.

We did not identify any additional fraud risks. In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Pension Fund fraud risk management controls.

We also performed procedures including:

- Screening of journal entries and other adjustments to identify risk criterion. These included unusual or unexpected pairings of double entries with cash account codes and those posted by senior finance management.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

***Identifying and responding to risks of material misstatement related to compliance with laws and regulations***

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Pension Fund financial statements from our general sector experience and through discussion with the Executive Director for Corporate Resources and other management (as required by auditing standards), and from inspection of the Pension Fund's regulatory and legal correspondence and discussed with the Executive Director for Corporate Resources and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Pension Fund financial statements varies considerably.

Firstly, the Pension Fund is subject to laws and regulations that directly affect the Pension Fund financial statements, including the financial reporting aspects of local government legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Pension Fund is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Pension Fund financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: pensions legislation, data protection laws and employment law, recognising the nature of the Pension Fund's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Executive Director for Corporate Resources and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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***Context of the ability of the audit to detect fraud or breaches of law or regulation***

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Pension Fund financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Pension Fund financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Other information**

The Executive Director for Corporate Resources is responsible for the other information, which comprises the information included in the Statement of Accounts, other than the Pension Fund financial statements and our auditor's report thereon. Our opinion on the Pension Fund financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Pension Fund financial statements audit work, the information therein is materially misstated or inconsistent with the Pension Fund financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

**Executive Director for Corporate Resources's and Audit and Risk Committee's responsibilities**

As explained more fully in the statement set out on page 16, the Executive Director for Corporate Resources is responsible for the preparation of Pension Fund financial statements, that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of Pension Fund financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the government of the intention to either cease the services provided by the Authority or dissolve the Authority without the transfer of its services to another public sector entity.

The Audit and Risk Committee of the Authority is responsible for overseeing the Pension Fund's financial reporting process.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the Pension Fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Pension Fund financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



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**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the members of the London Borough of Lewisham ('the Authority'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority as a body, 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 Authority and the members of the Authority as a body, for our audit work, for this report, or for the opinions we have formed.



**Fleur Nieboer**

**for and on behalf of KPMG LLP**

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5 February 2025