



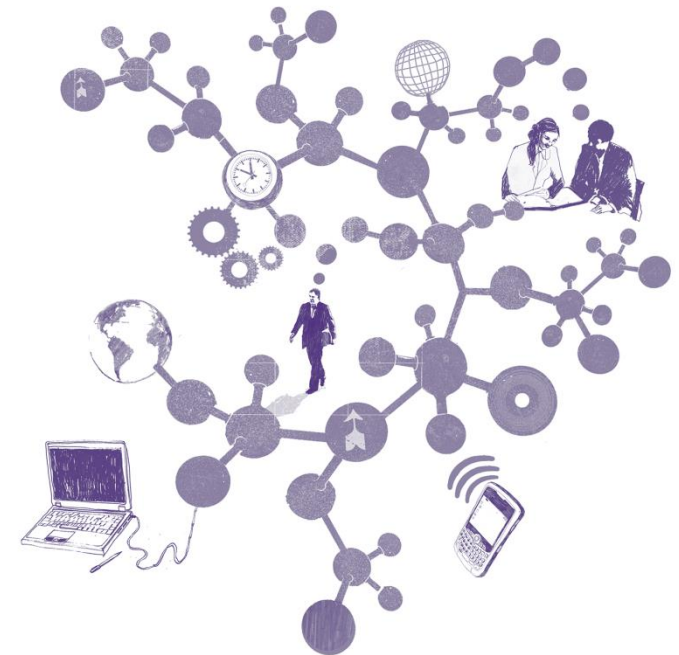
The Annual Audit Letter for Croydon Council

Year ended 31 March 2014

October 2014

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Croydon Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to you and your and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued 25 June 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report to the General Purposes and Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none">• an increase in the number and complexity of errors and misstatements in the draft accounts submitted for audit;• a deterioration in the quality and timeliness of working papers submitted for audit; and• delays in the provision of comprehensive responses to audit queries and samples selected for testing. <p>These factors were compounded by a high turnover of finance staff in 2013/14 and the finance team also having to progress the implementation of a new general ledger at the same time as the audit was taking place. We issued an unqualified opinion on your 2013/14 financial statements on 30 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of your financial position and of the income and expenditure recorded by the Council.</p>
Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 30 September 2014. Whilst you have financial challenges ahead in the medium term which will test the strongest of arrangements, on the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ending 31 March 2014.</p>

Key messages

Whole of Government Accounts	We reviewed the consolidation pack which you prepared to support the production of Whole of Government Accounts. We reported that your pack was consistent with the audited financial statements.
Certification of grant claims and returns	We certified one grant claim (Pooling of Housing Capital Receipts) which was amended. We are in the process of finalising the second grant claim (Housing Benefit) which we intend to do in advance of the 30 November 2014 deadline. The detailed findings from completion of this work will be reported in the Certification Report.
Audit fee	<p>Our fee for the opinion audit in 2013/14 was £265,052, excluding VAT which was £37,172 higher than our planned fee of £227,880 for the year.</p> <p>The issues relating to a marked decline in the standard and timeliness of working papers and responses from officers as set out on the previous page resulted in additional audit work. Furthermore, in response to the new fixed asset register (Technology Forge) system, which was implemented in the year, additional specific testing was performed in response to this significant risk.</p> <p>There was also an additional fee of £2,600 in respect of work on material business rates balances following the removal of the certification requirement for the NNDR3 return previously relied on as part of the audit. However, this increase is likely to be smaller than the reduction in the grant certification fee, which we are able to reduce as we are no longer required to certify the NDR3 claim. Overall, the net position in respect of this element of the fee is likely to be a reduction in your audit fee.</p> <p>All fees under the Audit Commission Act 1998 are subject to final determination by the Audit Commission and this process is in progress. The outcome will be reported to the next General Purposes & Audit Committee.</p> <p>Certification work is on-going but is expected to be completed at the planned fee level. The reduction from the previous year reflects the removal of certification requirements in respect of NNDR3. The final fee will reported to the General Purpose & Audit Committee later in the year in our annual certification report.</p> <p>Further detail is included within appendix B.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<ul style="list-style-type: none">i. Ensure that a robust quality assurance and management review process is in place for reviewing draft accounts prior to submitting them for audit.ii. Review the effectiveness and impact of recent staff changes to the Finance department and ensure there is sufficient capacity and timescale to prepare and quality review the draft accounts and all working papers before submission to the auditors next year.iii. As part of the closedown process, provide training for non-Corporate finance based staff to help them prepare responses supported by evidence for any questions raised by Finance and / or in the course of the audit.	Medium	<p>Agreed. A full review is being done to ensure improvements are made. Given the continued reduction in our resources a more radical approach will also be taken to achieve the same outcomes.</p> <p>Responsible officer: Richard Simpson, Director of Finance and Assets</p> <p>Due date: 31 March 2015</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	227,880	265,052
Grant certification fee*	33,712	33,712
Total fees	261,592	298,764

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

Issues relating to a marked decline in the standard and timeliness of working papers and responses from officers resulted in additional audit work. Furthermore, in response to the new fixed asset register (Technology Forge) system, which was implemented in the year, additional specific testing was performed in response to this significant risk.

All fees under the Audit Commission Act 1998 are subject to final determination by the Audit Commission and this process is in progress.

There is also an additional fee of £2,600 in respect of work on material business rates balances. This additional work was necessary

Fees for other services

Service	Fees £
None	Nil

as auditors are no longer required to carry out work to certify NNDR3 claims. This is reflected in the reduced grant certification fee in comparison to the previous year (£45,700). The additional fee is 50% of the average fee previously charged for NNDR3 certifications for London Boroughs and is subject to final agreement by the Audit Commission. The £2,600 increase is therefore likely to be smaller than the reduction in the grant certification fee, which we are able to reduce as we are no longer required to certify the NDR3 claim and overall, the net position in respect of this element of the fee is likely to be a reduction in your audit fee.

*Certification work is on-going but is expected to be completed at the planned fee level. The final fee will reported to the Audit Committee later in the year in our annual certification report.

Reports issued

Report	Date issued
Audit Plan	25 June 2014
Audit Findings Report	17 Sept 2014
VfM – Financial Resilience Report	17 September 2014
Annual Audit Letter	October 2014
Certification report	Expected November 2014



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