

# General Purposes & Audit Committee update for Croydon Council

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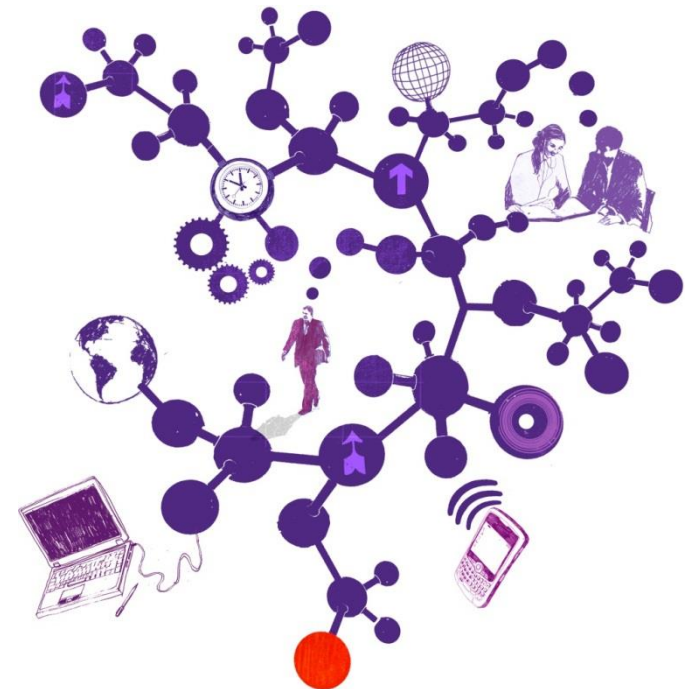
**Year ended 31 March 2015**

October 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

This paper provides the General Purposes & Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the General Purposes & Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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# Progress at October 2014

| Work  | Planned dates                  | Comments   |
|---|--------------------------------|--|
| <b>Planning and interim accounts audit</b><br>Our interim fieldwork visit includes: <ul style="list-style-type: none"><li>• updating our review of your control environment</li><li>• updating our understanding of financial systems</li><li>• review of Internal Audit reports on core financial systems</li><li>• early work on emerging accounting issues</li><li>• early substantive testing</li><li>• Planning of the Value for Money conclusion work</li></ul> | December 2014 and January 2015 | We expect to complete our audit planning in December 2014 and aim to return to complete our interim work and early testing on the data for the first 9 months of the year in January 2015. |
| <b>2014-15 Accounts Audit Plan</b><br>We are required to issue a detailed accounts audit plan to you setting out our proposed approach in order to give an opinion on your 2013-14 financial statements.  | March 2015                     | We will present the Audit Plan to you at the March 2015 General Purposes & Audit Committee.  |
| <b>2013-14 final accounts audit</b><br>Including: <ul style="list-style-type: none"><li>• audit of the 2013-14 financial statements</li><li>• proposed opinion on the accounts</li><li>• proposed Value for Money conclusion.</li></ul>   | July to September 2015         | We will present the Audit Findings Report to you at the September General Purposes & Audit Committee.  |

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# CIPFA LAAP updates

## Accounting and audit issues

CIPFA have issued the following LAAP Bulletins:

- [LAAP bulletin 99](#) Local Authority Reserves and Balances – provides guidance on the establishment and maintenance of local authority reserves and balances.
- [LAAP bulletin 100](#) Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17 – provides an outline project plan to help authorities looking to develop their own project plans for the implementation of the 2016/17 Code requirements for accounting for infrastructure assets.

## Challenge questions

- Has your Director of Finance and Assets reviewed the guidance and assessed the potential impact?
- Have you started to implement a project plan for accounting for transport infrastructure assets?

# Consultation on 2015/16 audit fees

## Accounting and audit issues

The Audit Commission is consulting on the proposed work programme and scales of fees for the audit of the accounts for 2015/16. The consultation sets out the work that auditors will undertake at local government audited bodies for 2015/16, with the associated scales of fees. The Department for Communities and Local Government (DCLG) has asked the Audit Commission to set fees for 2015/16 before the Commission closes on 31 March 2015.

The Audit Commission is proposing to reduce scale fees by a further 25 per cent from 2015/16, with no changes to the overall work programme. The fee reduction will apply to all principal bodies, with the exception of fees for pension fund audits at local authorities. The 25 per cent fee reduction has been achieved as a result of a recent procurement exercise to retender the work undertaken under the older contracts with audit firms, and is on top of the 40 per cent cut in fees made by the Commission in 2012. These savings are part of the legacy the Commission will leave behind after March 2015, with the lowest audit fees for 25 years.

The Commission is also making further rebates in respect of audit fees to audited bodies, returning another £6 million to principal bodies. The rebates will be paid by cheque directly to you in October 2014. The rebates result from the efficient management of the Commission's closure. The Commission's Board will consider in March 2015 the amount of any final rebate on audit fees.

The work that auditors will carry out on 2015/16 accounts will be completed under the new Code of Audit Practice that the National Audit Office (NAO) is developing. Under the Local Audit and Accountability Act 2014 the Commission's responsibility to prepare and publish a Code transfers to the NAO.

From 1 April 2015, Public Sector Audit Appointments Limited (PSAAL), set up by the Local Government Association as an independent company, will oversee the Commission's audit contracts until they end in 2017, or 2020 if extended by DCLG. PSAAL's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for housing benefit subsidy certification and for publishing the Commission's value for money profiles tool will also transfer to PSAAL.

The Commission's other functions will also transfer to new organisations, with local value for money studies as well as responsibility for the Code of Audit Practice transferring to the National Audit Office, the National Fraud Initiative to the Cabinet Office, and the counter-fraud functions to Chartered Institute of Public Finance and Accounting (CIPFA).

*continued...*

## Consultation on 2015/16 audit fees continued...

### Accounting and audit issues

These arrangements will secure the ongoing impact of the Commission's core work for the public sector. In addition, local public bodies will continue to benefit from significant savings to the costs of audit, achieved through the audit Commission's bulk purchasing power and locked in for another two or five years, and high quality audits secured by the managed contracts.

The Commission Board will consider the responses to the consultation and approve the final scales of fees. The Audit Commission expect to publish the final work programme and scales of fees for 2015/16 in March 2015.

Consultation documents on the Audit Commission's 2015/16 proposed work programme and scales of fees are now available for you to view at <http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/>

Under the consultation, Croydon Council's proposed scale fee for the audit set by the Audit Commission in 2015/16 would be £172,860 which compares to the scale fee of £227,880 in 2014/15. The audit fee for the pension fund would remain unchanged at £21,000. The audit fees for the Housing Benefit certification instruction work are also likely to reduce by 25% as well, which will be based on the 2013/14 outturn fee.

# Where Growth Happens

## Grant Thornton

Our national report 'Where Growth Happens' was published in September 2014.

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give FDs and CEOs of local authorities and LEPs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assess the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Copies of our report are available from your Engagement Lead or Audit Manager.



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# New routes to housing development

## Grant Thornton

We have issued the first in a series of good practice papers on topical issues for local government.

This paper considers good practice in councils' approaches to delivering affordable housing. Until recently, local authorities have acted as an enabler of new affordable housing; increasingly they are now undertaking a direct delivery role. Delivery routes vary and must be structured with the council's objectives and capacity in mind as there is no 'one size fits all' approach. The paper considers the benefits and challenges of council owned housing companies, including:

- Setting and delivering objectives
- Identifying optimal funding routes
- Assessing viability and working with others

The paper stresses the importance of a properly developed business case and business plan to support the setting up of a housing company.

Copies of our good practice paper are available from your engagement lead or audit manager.



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