

The Audit Plan for the London Borough of Croydon

Year ended 31 March 2017

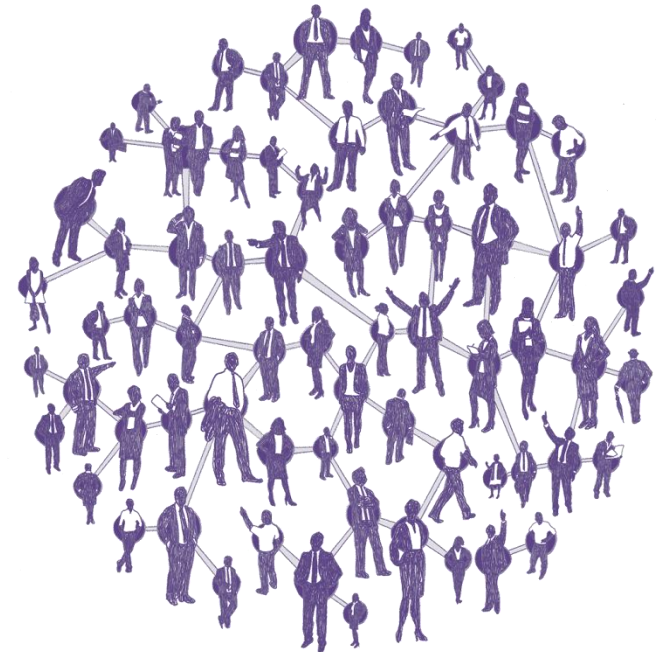
March 2017

Paul Grady
Engagement Lead
T 020 7728 2301
E paul.d.grady@uk.gt.com

Chris Long
Engagement Manager
T 020 7728 3295
E chris.long@uk.gt.com

Rufaro Dewu
Support Manager
T 020 7728 3240
E rufaro.k.dewu@uk.gt.com

Keyasha Pillay
In-Charge Auditor
T 020 7728 2494
E keyasha.pillay@uk.gt.com





London Borough of Croydon
Bernard Weatherill House
8 Mint Walk
Croydon CR0 1EA

March 2017

Dear Members of the General Purposes and Audit Committee

Audit Plan for the London Borough of Croydon for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in your case, the General Purposes and Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of you and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on your financial statements
- satisfy ourselves that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

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 planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect you or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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.

We look forward to working with you during the course of the audit.

Yours sincerely

Paul Grady
Engagement Lead

Grant Thornton UK LLP
Grant Thornton House
Melton House
Euston Square
London
NW1 2EP
T 02073 835100
www.grant-thornton.co.uk

Chartered Accountants

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Contents

Section

Understanding your business and key developments	4
Materiality	5
Significant risks identified	6
Other risks identified	8
Group audit scope and risk assessment	11
Value for Money	12
Other audit responsibilities	15
The audit cycle	16
Audit fees	17
Independence and non-audit services	18
Communication of audit matters with those charged with governance	19

Understanding your business and key developments

Developments

Highways network asset (HNA)

On the 14 November 2016, CIPFA/LASAAC announced a deferral of measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements for 2016/17. This deferral is due to delays in obtaining updated central rates for valuations.

CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18. It currently anticipates that the 2017/18 Code will be on the same basis as planned for 2016/17, i.e. not requiring restatement of preceding year information.

Integration with health and other sectors

Wider transfers of responsibility for public health to local government, and more specifically Better Care Fund (BCF) plans and the associated pooled budgets have been operational since 2014.

You continue to work collaboratively with Croydon CCG and providers to deliver integration and in developing the South West London Sustainability and Transformation Plans (STPs).

You are working with the CCG on an Outcomes Based Commissioning project for over 65's, seeking to understand the outcomes the people of Croydon are seeking from the system as a whole.

Key challenges

Autumn Statement and Finance Settlement

The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities.

The Local Government Finance Settlement for 2017/18 was announced on 15 December 2016. There were changes to the New Homes Bonus that have adversely affected you. This has been partially offset by a one off Social Care Support Grant, but reduces your overall funding by £1.9m.

The settlement also increased the Social Care Precept maximum amount to 3%, to help fund the ongoing pressures in this area.

Budget position and medium term financial plans

Your budget position for 2016/17 is forecasting an overspend of around £0.7m. The underlying service-related overspend is over £10m. This is primarily driven by demand led pressures in Adults and Children's Social Care.

Your medium term financial plans identify budget gaps of £60m to 2019/20, which you plan to close through council tax increases, council tax base increases and savings options..

You plan to achieve substantial savings through a range of targeted programmes covering areas such as health and social care integration, growth, contract management and your commercial approach.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require you to bring forward the approval and audit of financial statements to 31 July by the 2017/18 financial year.

Achieving the earlier deadlines will require an element of redesign of some of your closedown processes, arrangements and internal business processes.

You are currently working to deliver early close a year early in 2016/17 and have taken steps to streamline your processes and carry out work earlier in the year.

Our response

- We will discuss with you your progress in implementing the HNA requirements, highlighting any areas of good practice or concern which we have identified.
- We will continue to work with you to deliver early close, and we aim to complete all our substantive audit work on your financial statements by the end of July 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code.
- We will review your progress in managing your financial position and progress with the integration of health and social care, as part of our work in reaching our VFM conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of you. In line with previous years, we have calculated financial statements materiality based on a proportion of your gross revenue expenditure. For purposes of planning the audit **we have determined overall materiality to be £22,349k (being 1.95% of gross revenue expenditure in 2015/16)**. In the previous year, we determined materiality to be £22,505k (being 1.95% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. **We have defined the amount below which misstatements would be clearly trivial to be £1,000k.**

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have not identified any areas requiring a lower level of materiality.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including yourselves, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for you.</p>
The expenditure cycle includes fraudulent transactions	<p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.</p>	<p>We considered the expenditure cycle risk and do not consider it to require additional audit procedures. The lack of specific financial performance targets which you are required to meet means there is limited incentive for fraudulent manipulation. Your culture means that such manipulation would be seen as unacceptable.</p> <p>The nature of expenditure streams also means that material expenditure recognition fraud would be difficult to perpetrate and conceal. Our normal substantive procedures, including the work done in relation to the risk of management override of controls, operating expenses and employee remuneration adequately address the risk of fraud through provisions and accruals.</p>
Management override of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
Valuation of property, plant and equipment	You revalue your assets on a rolling basis. The Code requires that you ensure the carrying value at the balance sheet date is not materially different from current value. The valuation techniques applied by your valuation experts represents a significant estimate in the financial statements.	Work planned: <ul style="list-style-type: none"> • Review of the competence, expertise and objectivity of management experts used • Testing of revaluation movements made during the year to ensure they are consistent with underlying valuer information and have input correctly into your asset register • Review of your processes and assumptions for the calculation of the estimate • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	Your pension fund asset and liability as reflected in the balance sheet represent significant estimates in the financial statements.	Work planned: <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Creditors related to core activities understated or not recorded in the correct period (Operating expenses understated)	<p>Work planned:</p> <ul style="list-style-type: none"> • Identification of controls and walkthrough of operating expenses system • Unrecorded liabilities testing to assess whether transactions are recorded in the correct period • Testing of the year end reconciliation of operating expenditure recorded in the general ledger to the subsidiary system
Employee remuneration	Employee remuneration and benefit obligations and expenses understated (Remuneration expenses not correct)	<p>Work planned:</p> <ul style="list-style-type: none"> • Identification of controls and walkthrough of employee remuneration system • Substantive procedures to confirm the completeness of payroll transactions • Testing of the year end reconciliation of payroll expenditure recorded in the general ledger to subsidiary system

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Other risks	Description of risk	Audit procedures
<p>Changes to the presentation of local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will document and evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with your internal reporting structure. • We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.
<p>Financial statement level risk: First year accounting and consolidation of Brick by Brick Croydon Ltd (if material)</p>	<p>This is the first year that you have prepared consolidated accounts to include Brick by Brick, and it is expected to be a material subsidiary undertaking. There is the risk of inappropriate accounting treatment.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of outputs from statutory audit of Brick by Brick performed by Grant Thornton, or carry out alternative procedures for material consolidated transactions. • Review of accounting estimates, judgments and decisions made by management during the preparation of the financial statements. • Review of unusual significant transactions. • Review of disclosures against requirements.

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Intangible assets
- Heritage assets
- Assets held for sale
- Cash and cash equivalents
- Trade and other receivables
- Borrowings and other liabilities (long and short term)
- PFI schemes
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- New note disclosures
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes
- Funds held on trust note

Group audit scope and risk assessment

In accordance with ISA (UK and Ireland) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

You did not prepare Group Accounts in 2015/16 on the grounds of immateriality. You will revisit this consideration again in 2016/17, and have indicated that it is likely that Brick by Brick Croydon Ltd (which started trading in 2016/17) may form a material group relationship. We will consider your quantitative and qualitative judgements and associated disclosures within the financial statements.

Local authority schools are consolidated into the single entity accounts, we will review the consolidation process and test as part of our single entity approach

Components	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Brick by Brick Croydon Ltd	Yes (To be confirmed based on outturn)	Comprehensive	First year consolidation (if material)	<ul style="list-style-type: none"> Review of outputs from statutory audit of Brick by Brick performed by Grant Thornton, or carry out alternative procedures for material consolidated transactions. Review of accounting estimates, judgements and decisions made by management during the preparation of the consolidated financial statements. Review of unusual significant transactions. Review of disclosures against requirements.
CCURV LLP (50% joint venture)	No	Analytical	No specific risks identified.	<ul style="list-style-type: none"> Review of financial statements/other supporting information to confirm appropriateness of consolidated financial information or non-consolidation on the grounds of materiality. Review of disclosures and critical judgements for non-consolidation. Review the accounting for Croydon Care Solutions Ltd as services are brought back in-house and company is closed.
Croydon Care Solutions Ltd	No	Analytical		
Octavo Partnership (associate)	No	Analytical		

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Value for money

Background

The Code requires us to consider whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether you have proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of you, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including the Care Quality Commission and Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will prepare by the end of July 2017 and sign following the General Purposes and Audit Committee in September 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Budget position and medium term financial planning</p> <p>Your 2016/17 forecast outturn at the end of Quarter 3 was a £0.7m overspend, meaning you are broadly consistent with your planned budget outturn. However, the underlying service related overspend is forecast to be £10.3m. This has been primarily driven by continued demand led pressures in Adult Social Care and Children's Social Care, with offsetting underspends within Non-Departmental items such as additional grant and capital charge reductions.</p> <p>Your medium term financial planning identifies significant budget gaps over the coming years, totalling £60.5m from 2017/18 to 2019/20, which are planned to be closed by savings and council tax growth.</p> <p>You have set a balance budget for 2017/18, incorporating over £16m of growth, primarily focussed on resolving ongoing budget pressures in the People department. However, this will also require the delivery of £19.5m of savings across the organisation. You have also balanced the budget position to 2019/20, with over £39m of savings schemes identified across a number of key headings such as commissioning/contract management, demand management, prevention and early intervention, integration of Health and Social Care, growth, commercial approach and digital enabling.</p> <p>A balanced budget forecast to 2019/20 is an impressive achievement and the results of your work to identify savings in the medium term and the growth you are pursuing which will increase your council tax base. However, the savings targets remain challenging and will require substantial oversight and review, and must be underpinned by robust assumptions. Failure to deliver on your plans presents a serious risk to your overall financial health.</p>	<p>This links to your arrangements over planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions, as well as understanding and using appropriate cost performance information to support informed decision making and performance management.</p>	<p>We will review your arrangements in setting and controlling the budget position.</p> <p>We will review your processes to control and challenge budget overspends where they materialise.</p> <p>We will review the adequacy of your underlying budget assumptions and your plans to address the budget gaps to 2019/20.</p>
<p>Health & Social Care Integration</p> <p>You are seeking to deliver wide ranging changes and greater integration to ensure the financial sustainability of adult health and social care services. Working with partners, including Croydon CCG, local NHS providers and other wider organisations, there are potentially conflicting priorities. The project is complex and high profile, but there are significant benefits to improved service delivery and financial savings.</p>	<p>This links to your arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.</p>	<p>We will review your progress to date in implementing the planned integration and consider your arrangements to monitor/manage risks and ensure benefits from the project are realised.</p>

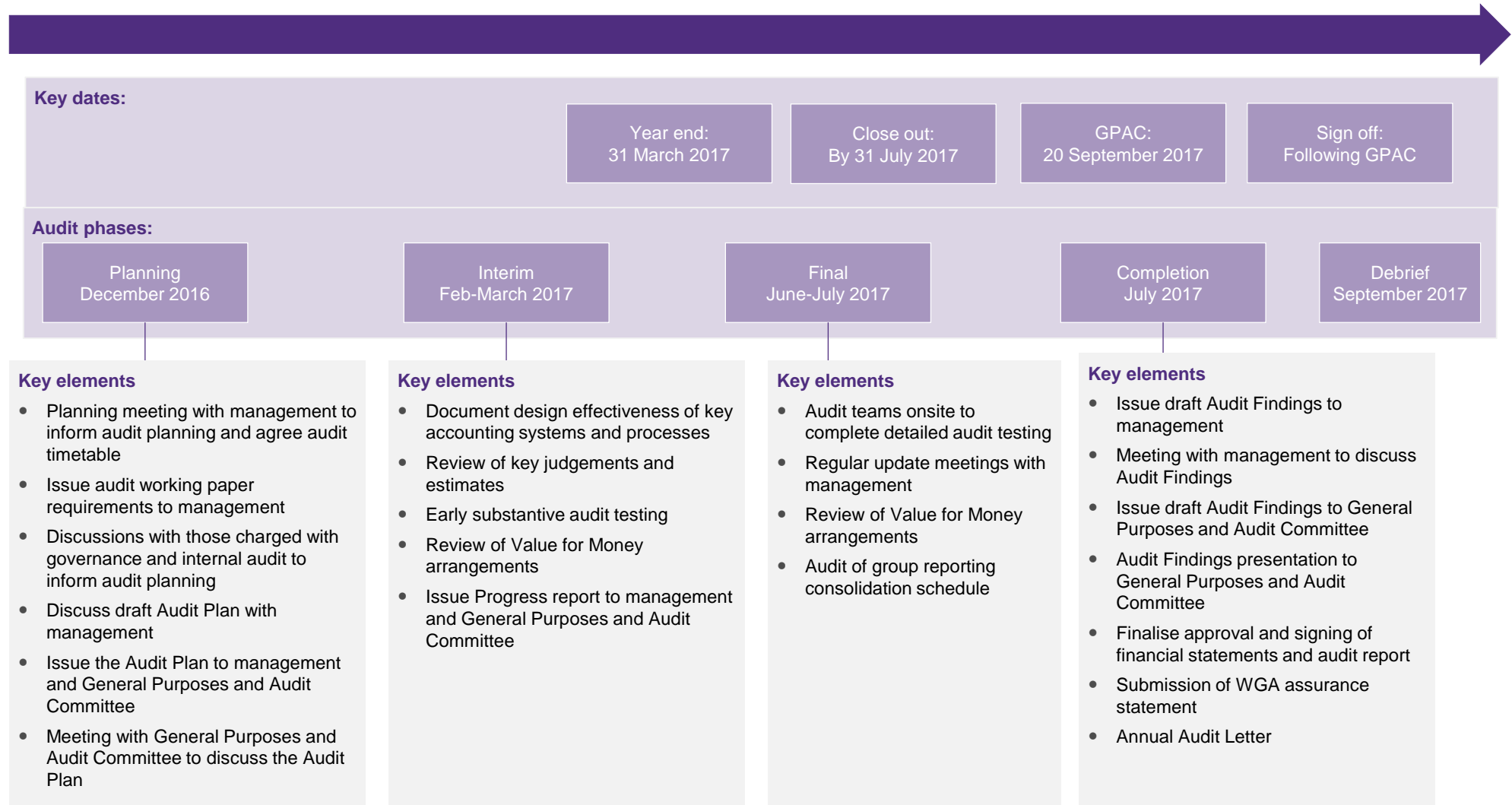
Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of you.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to you, copied to the Secretary of State
- We certify completion of our audit.

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Council audit	172,860
Audit of Brick by Brick Croydon Ltd	TBC
PSAA Grant Certification	25,755
Total audit fees (excluding VAT)	TBC

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and you and your activities, have not changed significantly
- You will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes, and identifying potential risks, opportunities and savings
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Constructive feedback on your people, your processes and your business plan
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Internal benchmarking of key controls including IT systems
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team
- Regular General Purposes and Audit Committee updates

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to you. The following audit related and non-audit services were identified for 2016/17:

Fees for other services

Service	Fees £	Planned outputs
Non-audit related		
Brick by Brick Croydon Ltd – accounts preparation service*	3,000 (estimated)	We will provide accounts preparation services for Brick by Brick, which will be completed once the financial information is available.
Brick by Brick Croydon Ltd – tax compliance services*	5,000 (estimated)	We will provide tax compliance services for Brick by Brick, which will be completed once the financial information is available.
CFO Insights (annual charge)	10,000	We provide the CFO Insights service under a 3 year contract starting from 2016/17.
Financial Resilience Capacity Building Programme 2016	3,500	A series of workshops for finance officers to develop by learning new leadership skills, listen to guest speakers and network with their peers.

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with your policy on the allotment of non-audit work to your auditors.

* Additional services are subject to confirmation, following the requirements of NAO Auditor Guidance Note 01, published in December 2016.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to you.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as your independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers your key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is your responsibility to ensure that proper arrangements are in place for the conduct of your business, and that public money is safeguarded and properly accounted for. We have considered how you are fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓



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