

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 20 SEPTEMBER 2017
AGENDA ITEM NO:	9
SUBJECT:	AUDIT FINDINGS REPORTS FOR CROYDON COUNCIL AND THE CROYDON PENSION FUND 2016-17 ACCOUNTS
LEAD OFFICER:	RICHARD SIMPSON EXECUTIVE DIRECTOR OF RESOURCES (Section 151 Officer)
CABINET MEMBER:	COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY
WARDS:	ALL
<p>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</p> <p>The preparation and publication of the Council's final accounts provides assurance that the Council's overall financial position is sound. This underpins service delivery that enables the achievement of the Council's priorities and forms a key strand to the Council's overall Financial Strategy.</p> <p>Strong financial governance and stewardship ensures that the Council's resources are aligned to enable the priorities, as set out in the Corporate Plan 2015 -2018, to be achieved for the residents of our borough and further enables medium to long term strategic planning considerations based on this strong financial foundation and stewardship.</p>	
<p>FINANCIAL IMPACT:</p> <p>There are no direct financial implications arising from this report.</p>	
<p>FORWARD PLAN KEY DECISION REFERENCE NO.:</p> <p>Not a key decision</p>	

<p>1. RECOMMENDATIONS</p> <p>The Committee is asked to:</p> <p>1.1 Note the ISA 260 (International Standards on Auditing) Reports for the Council and the Pension Fund issued by the Council's external auditors, Grant Thornton (Appendix 1 and 2 respectively).</p> <p>1.2 Approve the letters of representation (in Appendix 3 and 4) on behalf of the Council and the Pension Fund.</p> <p>1.3 Approve the final accounts (Appendix 5) based on the adjustments recommended in the Audit Findings report for the Council (set out in Appendix 1).</p>
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- 1.4 Delegate authority to the Executive Director Resources (S151 Officer) and Chair of General Purposes and Audit Committee to sign off the Council's 2016/17 accounts in respect of any changes identified between this meeting date and the 30th September 2017, in consultation with the Cabinet Member for Finance and Treasury.
- 1.5 Note that the Annual Governance Statement that was agreed by this Committee on the 29th June 2017 has now been signed by the Chief Executive and Leader of the Council (Appendix 6).

2. EXECUTIVE SUMMARY

- 2.1 The Auditors have issued the ISA 260 Reports for the 2016/17 final accounts for the Council and for the Pension Fund, which includes the Value for Money report prepared for the Council. The reports are specifically aimed at those charged with governance. The reports include the Council's management responses to the recommendations.

3. INTERNATIONAL STANDARD ON AUDITING (ISA) 260 REPORTS

- 3.1 Grant Thornton have now completed their audit of the accounts for the Council and for the Pension Fund and have produced ISA 260 Reports for each, which they are required to issue to General Purposes & Audit Committee as the Council Committee charged with governance for the organisation.

The principle purposes of the reports are:

- to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and General Purposes & Audit Committee;
- to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
- to provide General Purposes & Audit Committee with recommendations for improvement arising from the audit process.

The ISA 260 Reports are attached as Appendix 1 and 2 for the Council and Pension Fund respectively.

Financial Statements

- 3.2 Grant Thornton is anticipating being able to issue unqualified opinions on both the Council's Accounts and the Pension Fund Accounts for 2016/17 by the end of September, by which time the Accounts and the Letters of Representation will have been signed by the Executive Director of Resources (Section 151 Officer) on behalf of the Council.
- 3.3 The ISA 260 Reports detail the matters arising from the audit of the financial statements that the auditor is required to report upon to the General Purposes & Audit Committee.
- 3.4 There were no adjustments resulting from the audits that impacted upon the available revenue reserves of the Council as reported in the financial statements.

Value for Money Report

- 3.5 The Value for Money report for the Council sets out the Auditors' conclusion on the Council's arrangements for securing value for money. The judgement covers three themes; Strategic Financial Planning; Financial Governance and; Financial Control. This report is part of the overall Audit Findings report.
- 3.6 The report comments that in all significant respects except Children's Social Care, as a result of the recent Ofsted inspection the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources for the year ending 31 March 2017. The report does note that the Council faces significant financial pressures in the coming years, but confirmed that the Council has strong plans in place for significant growth within the borough and is developing innovative mechanisms to fund and deliver projects.

Auditor Recommendations

- 3.7 The Auditor has set out 10 recommendations as a result of their review of the Council's accounts, which are set out in Appendix A to the ISA 260 report. They cover readiness for next years closing and auditing of the accounts, a review of the Council Tax system and general ledger, improved process for elected Members declaration of interest returns, a review of debtor balances VAT, a review of bad debt and IT controls and improving the processes for bank reconciliations. There were no recommendations in relation to the Pension Fund accounts.

Adjustments to the Draft Accounts

- 3.8 The review of the draft Accounts has identified one non material change to be made to the accounts, in relation to internal recharges, this has no net impact on the general fund.

4 CONSULTATION

- 4.1 The accounts were placed on the Council's website stating that the Accounts were open to public scrutiny during the period from 21st June 2017 to 2nd August 2017. The community had the opportunity with this arrangement to look at the accounts and raise queries with the auditors. Additionally the community had the

- 4.2 opportunity to raise queries with the auditors directly, which was publicised in the same notice.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 There are no direct financial considerations arising from this report.
- 5.2 There are no implications arising from this report of new policy or spending decisions.

Approved by Lisa Taylor –Director of Finance, Investment and Risk and Deputy S151 Officer.

6. COMMENTS OF THE BOROUGH SOLICITOR AND MONITORING OFFICER

- 6.1 The Accounts and Audit (England) Regulations 2015 requires the Statement of Accounts to be considered and approved by way of a committee resolution and thereafter published by no later than the 31st of July each year from 2018. Under the transitional arrangements, these are required to be approved and published by no later than 30 September for the financial years beginning in 2015 and 2016.

Approved by Jacqueline Harris-Baker Director of Law and Monitoring Officer.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no immediate Human Resources considerations that arise from the recommendations of this report for London Borough of Croydon staff.

Approved by Sue Moorman – Director of Human Resources

8. EQUALITIES IMPACT

- 8.1 An Equalities Impact Assessment has not been carried out as this report does not require a new policy or spending decision. The contents of this report do not have any equalities implications.

9. ENVIRONMENTAL IMPACT

- 9.1 There are no implications arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no implications arising from this report.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 This is a statutory requirement.

12. OPTIONS CONSIDERED AND REJECTED

12.1 None.

CONTACT OFFICER:

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Resources (Section 151 Officer)
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APPENDICES:

Appendix 1 Audit Findings Report
Appendix 2 Pension Fund AFR
Appendix 3 Croydon Letter of Representation
Appendix 4 Croydon Fund Letter of Rep
Appendix 5 Statement of Accounts
Appendix 6 Annual Governance Statement

BACKGROUND PAPERS

None