

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>	
<b>DATE OF DECISION</b>	<b>11 April 2024</b>	
<b>REPORT TITLE:</b>	<b>Interim Auditor's Annual Report 2022-23</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Jane West Corporate Director of Resources and Section 151 officer</b>	
<b>LEAD OFFICER:</b>	<b>Jane West, Corporate Director of Resources</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings Cabinet Member for Finance</b>	
<b>DECISION TAKER:</b>	<b>N/A</b>	
<b>AUTHORITY TO TAKE DECISION:</b>	<b>N/A</b>	
<b>KEY DECISION?</b>	<b>No</b>	<b>REASON: N/A</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	<b>Public</b>
<b>WARDS AFFECTED:</b>	<b>All</b>	

## 1 SUMMARY OF REPORT

Grant Thornton have issued an Interim External Auditor's Annual Report for the Council for 2022-23. The report is attached as Appendix A to this report and includes the Council's response to the report's recommendations.

## 2 RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- 2.1 Note the Interim External Auditor's Annual Report from Grant Thornton.
- 2.2 Agree to monitor the implementation of the recommendations from the report.

### **3. BACKGROUND AND DETAILS**

- 3.1 Grant Thornton, the Council's External Auditor, has issued an Interim External Auditor's Annual Report for 2022-23. The report is attached as Appendix A to this report.
- 3.2 Although the external audit of the accounts for these years are delayed, Grant Thornton are obliged under the National Audit Office (NAO) Code of Practice to report concerns promptly rather than waiting until the audit work is complete. This report fulfils this requirement and reports against three areas in line with the NAO Code:-
- Financial Sustainability
  - Governance
  - Improving Economy, Efficiency and Effectiveness.
- 3.3 Although the report identifies that a risk of significant weaknesses remained in 2022-23, it also concludes that in all three areas the Council is making good progress.
- 3.4 Grant Thornton make three new key recommendations and five improvement recommendations which have all been accepted by the Council.
- 3.5 Progress against all the March 2023 recommendations will be reported to the Audit and Governance Committee in June 2024.

### **4 ALTERNATIVE OPTIONS CONSIDERED**

N/A

### **5 CONSULTATION**

None

### **6. CONTRIBUTION TO COUNCIL PRIORITIES**

The delivery of the recommendations of the Interim Auditor's Annual Report from Grant Thornton aligns with the Mayor's core outcome of balancing the Council's books.

## **7. IMPLICATIONS**

### **7.1 FINANCIAL IMPLICATIONS**

7.1.1 The recommendations from the Internal Auditor's Annual Report are accepted in full and progress on their implementation will be monitored.

Approved by: Allister Bannin, Director of Finance (Deputy Section 151 Officer), 5/4/24.

### **7.2 LEGAL IMPLICATIONS**

7.2.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Audit and Governance Committee is required by its terms of reference to monitor the effective development and operation of the Council's risk management arrangements, the control environment and associated strategies, actions and resources, and to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.

7.2.2 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk.

7.2.3 Information provided in this report is necessary to demonstrate the Council's compliance with requirements imposed by Regulation 5 of the Accounts and Audit Regulations 2015. The Council is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

7.2.4 Separately, the effectiveness of the Council's internal control environment has a direct impact on the Council's ability to deliver its functions in a manner which promotes economy, efficiency and effectiveness. Therefore, the consideration of this report also seeks to demonstrate the Council's compliance with its Best Value Duty under the Local Government Act 1999.

7.2.5 Under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014, a local auditor of the accounts of a relevant authority may make a written recommendation to the authority relating to the authority or an entity connected with it, so that the recommendation can be considered under Schedule 7 to the 2014 Act.

7.2.6 The local auditor must also comply with the applicable code of practice issued under Schedule 6 of the 2014 Act - the Code of Audit Practice issued by the National Audit Office - which requires the auditor to clearly document the work

they have undertaken and report each year, having regard to certain specified reporting criteria, namely financial sustainability, governance, and improving economy, efficiency and effectiveness.

7.2.7 The Council is under a general duty “to make arrangements for the proper administration of their financial affairs” under Section 151 of the Local Government Act 1972.

7.2.8 The Council is the subject of Directions from the Secretary of State requiring the Council to, amongst others, make improvements to its financial and governance arrangements. This report serves to support the Council in effectively monitoring and managing its financial and governance position in accordance with its Best Value Duty.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law, on behalf of the Director of Legal Services and Monitoring Officer, 04/04/2024.

### **7.3 EQUALITIES IMPLICATIONS**

7.3.1 Under the Public Sector Equality Duty of the Equality Act 2010, decision makers must evidence consideration of any potential impacts of proposals on groups who share the protected characteristics, before decisions are taken. This includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate services, and also how they commission and procure services from others.

7.3.2 Section 149 of the Act requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

7.3.4 Having due regard means there is a requirement to consciously address the three tenets of the Equality Duty within decision-making processes. By law, assessments must contain sufficient information to enable the local authority to show it has paid ‘due regard’ to the equalities duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively.

7.3.5 Whilst there are no specific equalities implications from simply noting the auditors recommendations at this stage – which is the intention of this report – officers will need to monitor potential equalities impacts as the Council works to respond to the findings of the report and its recommendations, particularly as they pertain to effective service delivery and resident experience. Equalities

implications would need to be assessed for any decisions or changes that arise as a result.

Comments provided by: Helen Reeves, Head of Strategy & Policy, 05/04/2024

## **7.4 HUMAN RESOURCES IMPLICATIONS**

7.4.1 There are no immediate workforce implications arising from the recommendations in this report.

## **8 APPENDICES**

Appendix A: Interim External Auditor's Annual Report 2022-23 from Grant Thornton

## **9 BACKGROUND DOCUMENTS**

None