

<b>REPORT TO:</b>	Audit & Governance Committee 15 <sup>th</sup> September 2022
<b>SUBJECT:</b>	London Borough of Croydon General Fund & Pension Fund Grant Thornton Audit Plan
<b>LEAD OFFICER:</b>	Jane West – Corporate Director of Resources & S151 Officer
<b>CABINET MEMBER:</b>	Cllr Jason Cummings - Cabinet Member for Finance
<b>WARDS:</b>	All
<b>PUBLIC/EXEMPT:</b>	Public

### **SUMMARY OF REPORT:**

This report updates the Audit & Governance Committee on the Audit Plan in relation to Final Accounts for the financial year 2020/21. The Audit Plan is produced by the Council's external auditors Grant Thornton and details the areas that they will cover during their audit.

The audit of 2020/21 accounts, which were published in draft on 31<sup>st</sup> August 2021, has begun but is being done in parallel with the 2019/20 audit. A further report will be brought to the committee in regards the 2019/20 Audit and its progress.

### **COUNCIL PRIORITIES 2020-2024**

The audit of Council's accounts provides Officers, Members and the Local Taxpayers an independent scrutiny and review of the Council's finances which includes the review of value for money. This will help meet Council's key aim of living within our means, balance the books and provide value for money for our residents.

### **FINANCIAL IMPACT:**

The audit fees for 2020/21 for the Council's main audit will be £347,102 and this is significantly more than the fees agreed with the PSAA at £133,102. Grant Thornton have identified a number of areas for further work and therefore have applied an additional fee of £214,000 which is more than double the PSAA fee. Details of the fee proposal is provided within pages 30-32 of the audit plan in Appendix A.

The proposal for the Pension Fund Audit has a fee of £31,850 and this will be paid by the Pension Fund.

### **1. RECOMMENDATIONS:**

- 1.1. Audit & Governance Committee is asked to note the 2020/21 Audit Plan Reports from Grant Thornton in relation to the Council's Main Accounts (Appendix A) and the Council's Pension Fund Accounts (Appendix B).
- 1.2. Note that the 2020/21 Audit will take place in parallel with the 2019/20 Audit.

- 1.3. Note that the fee request from Grant Thornton is not yet agreed and will be subject to negotiation with Grant Thornton and Public Sector Audit Appointments (PSAA).

## **2. Audit of 2020/21 Main and Pension Fund Accounts**

- 2.1. The external audit of the Council's 2020/21 Accounts is to be undertaken by Grant Thornton LLP.
- 2.2. The full external audit plan is set out in Appendix A for the Main Audit and Appendix B for the Pension Fund audit. In summary, it covers several areas:
- Overview of the audit strategy;
  - Audit risks;
  - Value for money and associated risks;
  - Audit materiality;
  - Scope of the audit;
  - Interdependencies.
- 2.3. The plan also sets out the fees for the audit and the timescales for reporting back to the Council and the Audit and Governance Committee. This is further explained within section 3 of this cover report.
- 2.4. The audit of the 2020/21 Accounts will take place on the back of a challenging audit of the 2019/20 accounts and will include a significant amount of scrutiny for 2020/21. The audit will be conducted in parallel with the 2019/20 Audit which is in the process of being completed.
- 2.5. The key item outstanding relates to the lease classification in regard to the Croydon Affordable Homes and Croydon Affordable Tenures. The Council will provide a further update on this once a way forward has been agreed between the Council and Grant Thornton.
- 2.6. The audit of the 2020/21 Accounts reflects the year in which the Council issued its Section 114 notice and received a number of recommendations from external parties. This included the issuance of a Report in Public Interest by Grant Thornton which reflected a number of concerns in regard to Council's financial management and financial position. As a result, the audit of 2020/21 is likely to be a detailed scrutiny of the finances.

## **3. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 3.1. The audit fees for 2020/21 for the Council's main audit will be £347,102 and this is significantly more than the fees agreed with the PSAA at £133,102. Grant Thornton have identified a number of areas for further work and therefore have applied an additional fee of £214,000 which is more than double the PSAA fee. Details of the fee proposal is provided within pages 30-32 of the audit plan in Appendix A. The proposal will need to be considered by both the Council and PSAA before any agreement can be reached.

- 3.2. The Council has budgeted £133,102 within its financial plan as the additional figure was not made aware when the budget was set. As a result, if there is an additional cost of £214,000, it will need to be funded from Council wide underspends or, if necessary, from the Council's reserves.
- 3.3. The proposal for the Pension Fund Audit has a fee of £31,850 and this will be paid by the Pension Fund.

**Approved by:** Matthew Davis – Director of Finance & Deputy S151 Officer

#### **4. LEGAL CONSIDERATIONS**

- 4.1. The Head of Litigation & Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that by Section 4 of the Local Audit and Accountability Act 2014 the Council's accounts must be audited by a local auditor in accordance with that Act and the Accounts and Audit Regulations 2015, and the Council is under a duty to consider any recommendations.

**Approved by:** Sandra Herbert, Head of Litigation & Corporate Law on behalf of the Director of Legal Services and Monitoring Officer

#### **5. HUMAN RESOURCES IMPACT**

- 5.1. It is critical that all audits seek to assess the council's governance maturity and ensure improvement actions are being progressed. The council has sought to bring about policy and culture change improvements in the last year or so, including the implementation of new codes of conduct for both members and officers, as well as the launch of the new culture change programme, Crossing the Threshold, as well as other measures, such as financial training for all budget managers. It will be important for the audits to track progress against this framework for improvement

**Approved by:** Dean Shoesmith, Chief People Officer

#### **6. EQUALITIES IMPACT**

- 6.1. The council has an obligation under the Public sector equality duty, which is to eliminate unlawful discrimination, to advance equality of opportunity and to build better relationships between groups with protected characteristics. No negative impacts have been identified amongst groups with protected characteristics in this report.

**Approved by:** Gavin Hanford, Director of Policy, Programmes & Performance

#### **7. ENVIRONMENTAL IMPACT**

7.1. No implications

**8. CRIME AND DISORDER REDUCTION IMPACT**

8.1. No implications

**9. DATA PROTECTION IMPLICATIONS**

**9.1. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

**NO**

**9.2. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO DPIA implications

Approved by: Nish Popat – Interim Head of Corporate Finance

---

**CONTACT OFFICER:** Nish Popat – Interim Head of Corporate Finance

**APPENDICES TO THIS REPORT**

Appendix A - DRAFT LB Croydon Audit Plan 2020/21

Appendix B – DRAFT LB Croydon Pension Fund Audit Plan 2020/21

**BACKGROUND DOCUMENTS:** None