

The Audit Plan for Croydon Council

Year ending 31 March 2016

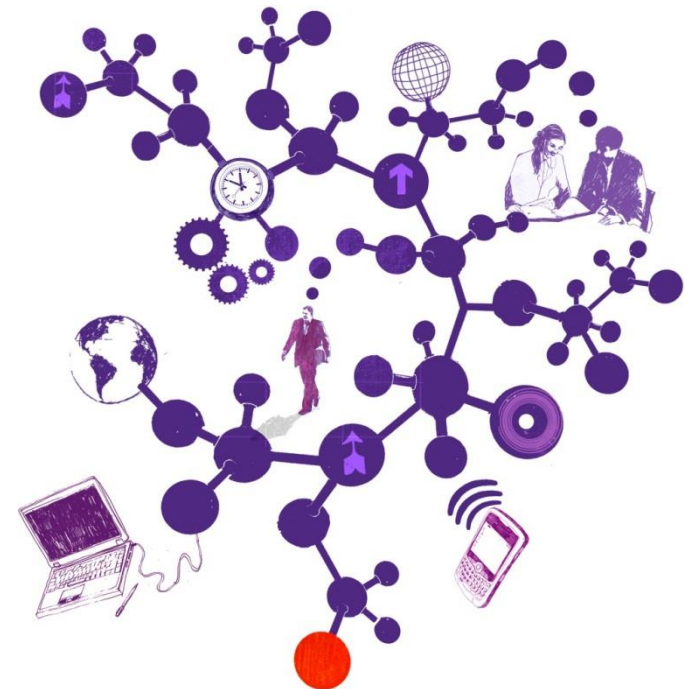
February 2016

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Croydon Council
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February 2016

Dear Members of the General Purposes and Audit Committee

Croydon Council Audit Plan for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (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 the 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 you have made proper arrangements for securing economy, efficiency and effectiveness in its 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.

Yours sincerely

Paul Grady

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Contents

Section

Understanding your business	4
Developments and other requirements relevant to the audit	5
Our audit approach	6
Materiality and group audit	7
Significant risks identified	9
Other risks identified	11
Value for Money	13
Results of interim audit work	15
Key dates	17
Fees and independence	18
Communication of audit matters with those charged with governance	19

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 you 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.

Understanding your business

In planning our audit we need to understand the challenges and opportunities you are facing. We set out a summary of our understanding of your key challenges and opportunities below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- You anticipate a reduction in central funding of 13.2% in 2016/17 and 33.9% up to 2019/20.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.

2. Growth and regeneration

- Croydon is undergoing substantial urban regeneration. You are working with partners to deliver substantial investment in business, community, infrastructure and housing projects.
- You are pursuing innovative models of delivery, through a Revolving Investment Fund to deliver the Growth Promise, and have set up a housing development company.
- You have secured £102m of capital funding for schools through a European Investment Bank credit facility, attracting lower rates of interest than PwLB borrowing.

3. Housing

- The Autumn Statement also included a number of announcements intended to increase the availability and affordability of housing.
- In particular, the reduction in your housing rents and changes to right to buy will have a significant impact on your housing revenue account business plan.

4. Earlier closedown of accounts

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

Our response

- We will consider your plans for addressing your financial position as part of our work to reach our VFM conclusion.

- We will consider your plans in relation to regeneration and growth as part of our work in reaching our VFM conclusion.

- We will discuss your plans for valuation of these assets at an early stage to gain an understanding of your approach.
- We will consider your planning in relation to the impact of policy changes on housing and welfare as part of our work in reaching our VFM conclusion.

- We will work with you to identify areas of your accounts production where you can learn from good practice
- We aim to complete all substantive work in our audit of your financial statements significantly earlier than previous years as a 'dry run'

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Highways Network Assets

- Although you are not required to include Highways Network Assets until 2016/17, this will be a significant change to your financial statements and you will need to carry out valuation work this year.

4. Joint arrangements

- You are involved in a number of pooled budgets and alternative delivery models which you may need to account for in your financial statements.
- In 2015/16, you will have two new potential group relationships in Octavo Partnership (schools support services) and Brick by Brick (housing development company)
- You plan to review your analysis of group arrangements and ensure it remains appropriate to not prepare group accounts on the grounds of materiality.

Our response

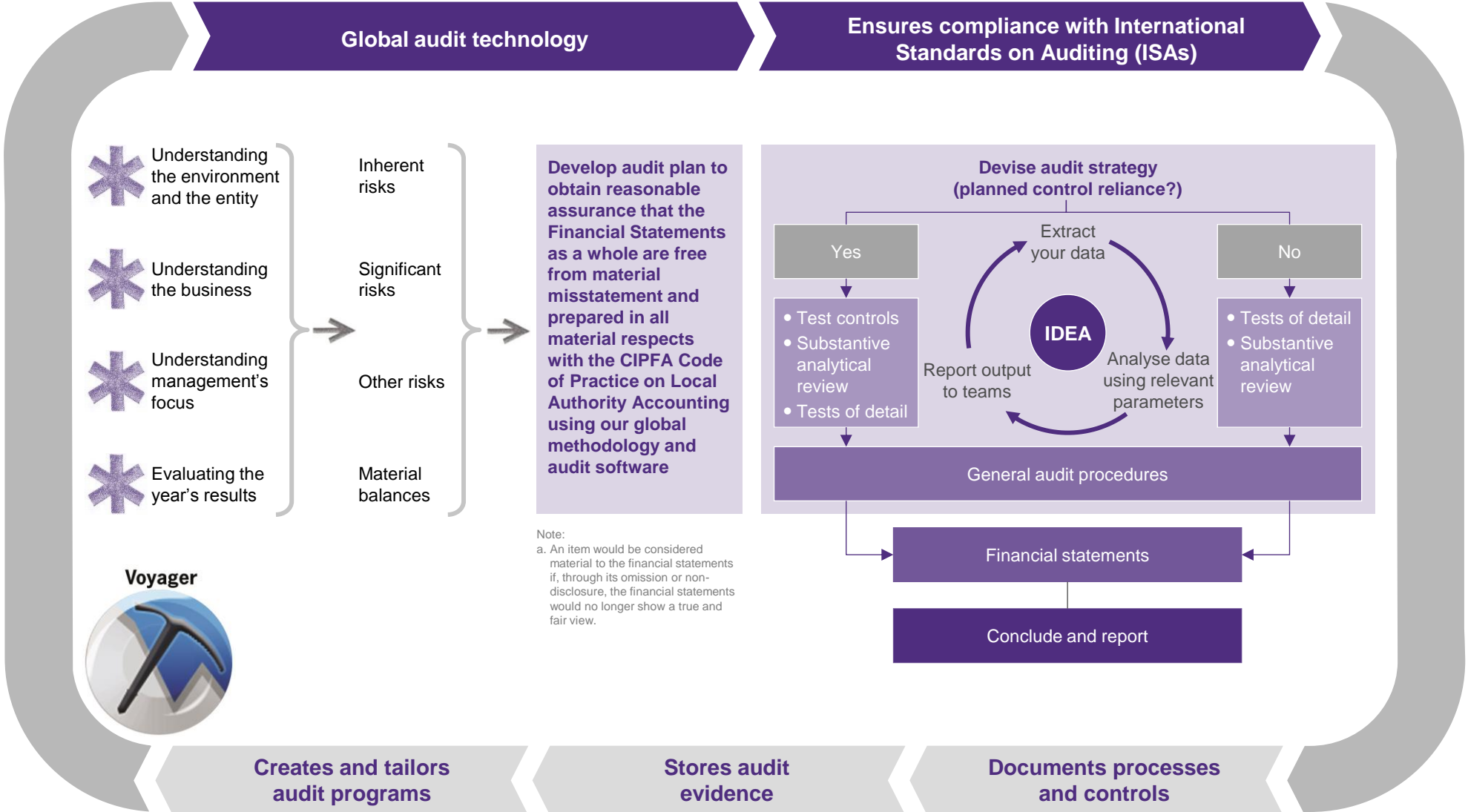
- We will keep you informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge and the requirements of CIPFA guidance.

- We will discuss your plans for valuation of these assets at an early stage to gain an understanding of your approach and suggest areas for improvement.

- We will review your proposals for accounting for these arrangements against the requirements of the CIPFA Code of Practice.
- We will review your assessment of not preparing group accounts and confirm this is appropriate based on the cumulative effect of ongoing and new arrangements.

Our audit approach



Note:
 a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Materiality and group audit

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 standard states that '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'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of your gross revenue expenditure. For purposes of planning the audit we have determined overall materiality to be £20,901k (being 1.95% of the final 2014/15 gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

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 items which require a separate materiality level.

Group audit scope and risk assessment

You did not prepare Group Accounts in 2014/15 on the grounds of immateriality. You will revisit this consideration again in 2015/16, however, you do not anticipate any significant changes to your assessment and do not plan to prepare Group Accounts this financial year. We will consider your quantitative and qualitative judgements and associated disclosures within the financial statements. As group relationships do exist, ISA 600 requires that as group auditors we 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 applicable financial reporting framework. We have not identified any risks in relation to your group accounting and there are not expected to be any significant components. We set out here our planned response for each component;

- CCURV LLP – we will obtain and consider the audited accounts to 31 December 2015 and review management accounts to 31 March 2016 to support your grouping consideration;
- Croydon Care Solutions Ltd – we will obtain and consider the audited accounts to 31 March 2016 to support your grouping consideration;
- Octavo Partnership Ltd – we will review your assessment of the group relationship and, if required, gain assurance over your grouping consideration;
- Brick by Brick Croydon Ltd (not yet trading) – we will review accounting records and ensure there have been no significant transactions to 31 March 2016;
- schools consolidation (consolidated into single entity accounts) – we will review the consolidation process and test as part of our single entity approach.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to 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 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue 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 and expenditure 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.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of control environment and internal processes in place in relation the posting of journal entries <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Significant risks identified (continued)

Significant risk	Description	Substantive 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.	<p>Work planned:</p> <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 its balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <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

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

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

Other risks identified (continued)

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 section but will include:

- Heritage assets
- Assets held for sale
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable 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
- Segmental reporting note
- 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

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to consider whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in its 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 in November 2015 [here](#).

The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether you have put proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

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 good governance Understanding and using appropriate cost and performance information 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 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 completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements; in particular;
 - your current financial position based on your year to date performance against the 2015/16 budget, including demand led overspends within the People department and your progress to manage the spend through council-wide actions focussing on staffing savings;
 - your setting of a balanced budget for 2016/17, reflecting £14.6m of grant losses, and significant assumptions around inflation (£2.6m), growth (£9m) and the Council Tax base increase (£4.5m benefit). This plan will require the delivery of over £16m of council-wide savings, and a 3.99% (including the 2% increase for adult social care) increase in your share of council tax;
 - your medium term financial planning, for the three year period 2017/18 to 2019/20 requiring the deliver of another £14m of saving proposals and the closing of the further £26m budget gap, incorporating assumptions on council tax increases and increases in the overall council tax base;
 - your progress with regard to infrastructure planning, through innovative investment plans designed to drive growth in the borough. This involves your Growth Promise, government support for the 'Growth Zone' proposals, further work on regeneration of central Croydon and significant capital investment;
 - your progress with innovative new models of delivery, such as a mutual approach with Octavo Partnership for schools support services and the formation of a housing development company, Brick by Brick, to deliver substantial redevelopment and new homes in the borough;
 - national issues, such as the impact of welfare reform, the introduction of the Better Care Fund, the introduction of right to buy for housing association properties and rent reductions for council houses.
- 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. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter. We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

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. The identification of a significant risk is reflective of the potential to be of interest of yourselves or the public, and is not indicative of a particular finding. These are therefore the areas upon which we will focus our value for money work, and we will report our findings in our Audit Findings Report.

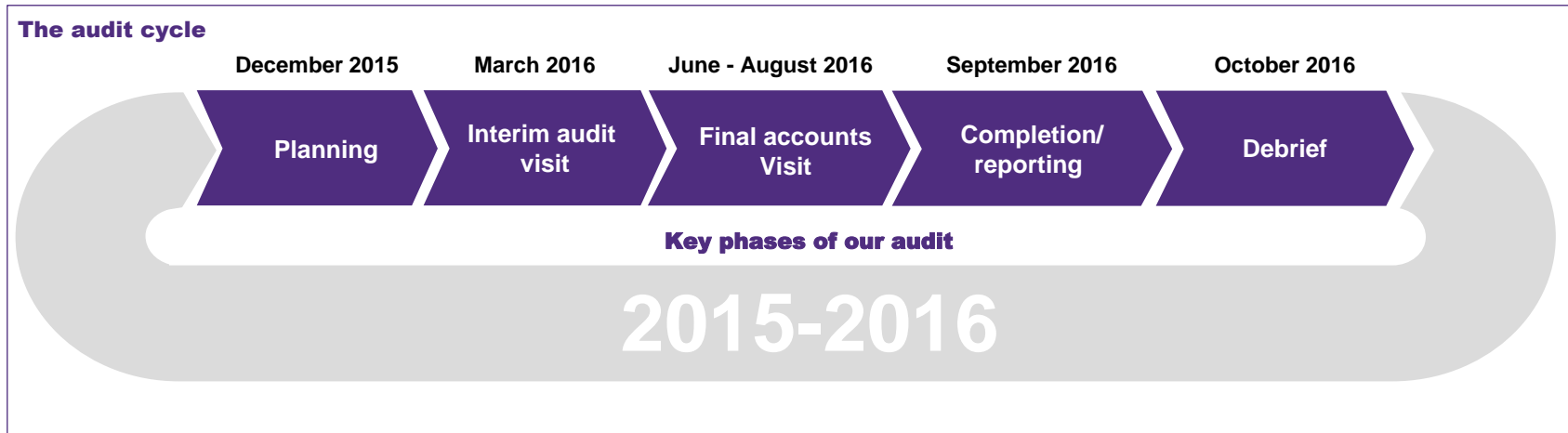
Significant risk	Link to sub-criteria	Work proposed to address
<p>Medium term financial plans In line with many other authorities, your medium term financial planning identifies significant budget shortfalls over the coming years. You have set a balance budget for 2016/17, but this will require you to deliver significant savings through the Croydon Challenge programme and departmental savings of over £16m.</p> <p>Over the three year horizon from 2017/18 to 2019/20, you have already identified a further £14m of saving proposals, but will need to find another £26m over this period to close your budget gap. This does represent a reduction in projected budget gaps from last year. Progress continues to be made with council-wide transformation programmes and budget delivery alongside additional funding for Adult Social Care from the increase in Council Tax. However, the identification and delivery of substantial savings continues to be a 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 follow up our findings from last year and review your arrangements over medium term financial planning. This will include the reasonableness of significant assumptions around inflation, growth and savings as well as the impact of the Settlement Funding Assessment.</p> <p>We will consider your plans to close the projected budget gap from 2017/18 to 2019/20, including identification of savings plans, arrangements for monitoring and managing delivery of budgets and the potential impact on service delivery.</p>
<p>Regeneration and growth You have ambitious plans to reshape Croydon through regeneration and growth. Working with partner organisations, the aim is to deliver more jobs, affordable homes and better infrastructure and facilities in the borough. You are pursuing innovative models of delivery, such as the Revolving Investment Fund to support schemes within your Growth Promise through funding outside the capital programme with minimal impact on the revenue budget. You have also formed a development company to deliver regeneration and provide homes.</p> <p>The plans for the borough are substantial and will require radical changes to the way in which you commission and deliver projects. The programme includes a number of key projects and investments, which are significant both in scale and financial terms.</p>	<p>This links to your arrangements over informed decision making, managing assets and working with partners effectively to support the delivery of strategic priorities.</p>	<p>We will review the project management and risk assurance frameworks established in respect of the more significant projects, to establish how you are identifying, managing and monitoring these risks.</p> <p>We will review progress made and significant developments in year, and the overall outcomes and expectations from the projects.</p>
<p>Impact of policy changes on housing and welfare The Autumn Statement included a number of announcements intended to increase the availability and affordability of housing, including reduction in housing rents and right to buy changes. The reduction in rents will require significant savings to be made by the HRA.</p> <p>Demographic changes in the borough place additional demand on housing, welfare need and may impact homelessness. The plans and outcomes from the changes in government policy will be substantial both in terms of delivery of service and finances.</p>	<p>This links to your arrangements over planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p>	<p>We will review your plans over the policy changes and actions proposed to resolve the financial implications of the schemes.</p>

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on your key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on your financial statements</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements, being employee remuneration and operating expenditure.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Journal entry controls	<p>We have reviewed your journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on your control environment or financial statements.</p>	<p>Our work to date has identified no material weaknesses which are likely to adversely impact on your financial statements</p>

Key dates



Date	Activity
December 2015	Planning
March 2016	Interim site visit
23 March 2016	Presentation of Audit Plan to General Purposes and Audit Committee
June – August 2016	Year end fieldwork
25 July 2016 and 8 September 2016	Audit findings clearance meeting with Assistant Chief Executive (Corporate Resources and Section 151 Officer)
14 September 2016	Report audit findings to those charged with governance (General Purposes and Audit Committee)
By 30 September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	172,860
Grant certification	24,894
Total audit fees (excluding VAT)	197,754

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 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, will be shown under 'Fees for other services' once an engagement has been agreed.

Fees for other services

Service	Fees £
Non-audit services:	
• Outline Business Case for Croydon Council and London Borough of Lambeth Legal Service Alternative Business Structure	31,433
• Financial Resilience Capacity Building 2016	3,500

Fees for other services

Fees for other services 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.

Independence and ethics

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 therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

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

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, 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 Report 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

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.

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		✓



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