

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 14 SEPTEMBER 2016
AGENDA ITEM:	6
SUBJECT:	AUDIT FINDINGS REPORTS FOR CROYDON COUNCIL AND THE CROYDON PENSION FUND 2015-16 ACCOUNTS
LEAD OFFICER:	RICHARD SIMPSON ASSISTANT CHIEF EXECUTIVE (CORPORATE RESOURCES AND SECTION 151 OFFICER)
CABINET MEMBER:	COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
<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>	
AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:	
<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>	
FINANCIAL IMPACT	
<p>There are no direct financial implications arising from this report.</p>	
KEY DECISION REFERENCE NO.:	
<p>Not a key decision</p>	

1. RECOMMENDATIONS

The Committee is asked to:

- 1.1 Note the ISA 260 Reports for the Council and the Pension Fund issued by the Council's external auditors, Grant Thornton (Appendices 1 and 2);
- 1.2 Approve the letters of representation (in Appendices 3 and 4 of the respective reports) on behalf of the Council and the Pension Fund;
- 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)
- 1.4 Delegate powers to the Assistant Chief Executive (Corporate Resources and Section 151 Officer) and Chair of General Purposes and Audit Committee to sign off the Council's 2015/6 accounts for any changes identified between this meeting date and the 30th September 2016, in consultation with the Chair and Cabinet Member for Finance and Treasury;
- 1.5 Note that the Annual Governance Statement that was agreed by this Committee on the 29th June 2016 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 2015/16 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 Appendices 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 2015/16 by the end of September, by which time the Accounts and the Letters of Representation will have been signed by the Assistant Chief Executive (Corporate Resources and 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 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 2016. 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 5 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 control of demand led services, progress of service transformation, ongoing updating of the HRA business plan to take account of legislation changes, a review of bad debt and IT controls. 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 two non material changes to be made to the accounts, in relation to the Street Lighting PFI Sinking Fund and schools funding.

- 3.9 The earmarked reserve for the Street Lighting Sinking Fund was re categorized as a provision in 2015/16, this was incorrect and the reinstatement of the earmarked reserve has been made.
- 3.10 The spring 2016 funding to schools was made in late March 2016 and accounted for as a pre payment. However, as the payment was not received by schools until after year end it was not included within their cash balances.

Maintained schools are consolidated in our single entity accounts and intra entity transactions are eliminated as part of this process. As there was no offsetting receipt in advance recorded by schools the prepayment was not correctly offset upon consolidation

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 1st July 2016 to 12th August 2016. The community had the opportunity with this arrangement to look at the accounts and raise queries with the auditors. Additionally the community had the 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 – Assistant Director of Finance 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 no later than the 30th September each year.

(Approved by Jacqueline Harris-Baker, Acting Council Solicitor and Acting 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 Jason Singh – HR Business Partner)

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: Richard Simpson, Assistant Chief Executive,
Corporate Resources and
Section 151 Officer
X 61848

BACKGROUND PAPERS None