

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 23 JULY 2019
SUBJECT:	AUDIT FINDINGS REPORTS FOR CROYDON COUNCIL AND THE CROYDON PENSION FUND 2018-19 ACCOUNTS
LEAD OFFICER:	LISA TAYLOR, DIRECTOR OF FINANCE, INVESTMENT AND RISK (INTERIM S151 OFFICER)
CABINET MEMBER:	COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND RESOURCES
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:	
<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 2018 -2022, 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:	
There are no direct financial implications arising from this report.	

<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 respectively.</p> <p>1.3 Approve the final accounts (Appendix 5) based on the adjustments recommended in the Audit Findings report for the Council and Pension fund (set out in Appendix 1 and 2), together with any minor changes identified under recommendation 1.4.</p> <p>1.4 Authorise the Director of Finance, Investment and Risk (interim S151 Officer) and Chair of General Purposes and Audit Committee to sign off the Council's 2018/19 accounts and agree any changes identified between this meeting date and the 31st July 2019, as detailed in paragraph 3.4 of this report.</p>
--

2. EXECUTIVE SUMMARY

- 2.1 The Auditors (Grant Thornton) have issued the ISA 260 Reports for the 2018/19 final accounts for the Council and for the Pension Fund, the Value for Money Conclusion is still being finalised and will be reported at a later date. The ISA 260 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;
- to provide General Purposes & Audit Committee with recommendations for improvement arising from the audit process; and
- to notify the General Purposes and Audit Committee of any adjustments to be made to the accounts.

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 2018/19 by the end of July, by which time the Accounts and the Letters of Representation will have been signed by the Director of Finance, Investment and Risk (Interim 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 Due to the timetable for completing the accounts, external audit of the accounts and presentation to this General Purposes and Audit Committee the adjustments to the accounts detailed in the ISA 260 reports will be undertaken post this committee and before the statutory deadline of the 31st July 2019. The committee can see the adjustments to be made in the ISA 260 reports as summarised in

appendix C of the ISA 260 report for the General Fund and appendix B of the ISA 260 report for the Pension Fund. If there are any further adjustments identified post this Committee the Chair and Vice Chair of this Committee will be briefed accordingly and any such adjustments will be made in accordance with recommendation 1.4.

- 3.5 There is one adjustment resulting from the audit that has impacted upon the available revenue reserves of the Council as reported in the financial statements. This is in relation to the implementation of the London Business Rate's Pool as detailed in appendix C of the General Fund ISA 260 report, and has resulted in an increase in the proportion of income due to the Council.
- 3.6 There is one adjustment to the Pension Fund accounts arising as a result of the Fund Manager Results being received after the draft accounts have been published for audit on the 31st May 2019. As a result the investment values will be updated in the final accounts as detailed in appendix B of the Pension Fund ISA 260 report.

Value for Money Report

- 3.7 The Value for Money report in the ISA 260 report for the Council sets out the Auditors' conclusion on the Council's arrangements for securing value for money.
- 3.8 At this date the Auditor has not completed their work in respect of Value For Money and anticipate issuing their Value Money Conclusion at a later date. This will comprise of a supplementary Value for Money report detailing their work in this area and the proposed conclusion.

Auditor Recommendations

- 3.9 The Auditor has set out 1 recommendation as a result of their review of the Council's accounts, which is set out in Appendix A to the General Fund ISA 260 report. This covers accounting for Accruals and recommends a review of our accruals process to ensure items are correctly treated during the preparation of the accounts.
- 3.10 There was 1 recommendation in relation to the Pension Fund accounts relating to new starters statutory notification letters. This is set out in Appendix A to the Pension Fund ISA 260 report.

Adjustments to the Draft Accounts

- 3.11 The review of the draft Accounts has identified a number of non material changes to be made to the accounts, these are detailed in appendix C of the General Fund ISA 260 Report and will be made to the draft accounts presented to this Committee at appendix 5 before the statutory deadline of the 31st July 2019.

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 3rd June 2019 to 12th July 2019. The community had the opportunity with this arrangement to look at the accounts and raise queries with the Council. 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, Director of Finance, Investment and Risk and Interim S151 Officer.

6. LEGAL IMPLICATIONS

- 6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that 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 July each year from 2018.

Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy 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: Lisa Taylor Director of Finance, Investment and Risk
(Interim S151 Officer)

APPENDICES TO THIS REPORT:

Appendix 1 – Audit Findings Report – General Fund
Appendix 2 – Audit Findings Report – Pension Fund
Appendix 3 – Letter of Representation – General Fund
Appendix 4 – Letter of Representation – Pension Fund
Appendix 5 – Draft Accounts 2018/19