

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF CROYDON (the "Authority")

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, in our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Issue of audit opinion on the pension fund financial statements

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, in our opinion the pension fund financial statements of the London Borough of Croydon Pension Fund:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Issue of adverse conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

In our audit report for the year ended 31 March 2019 issued on 30 October we reported an adverse conclusion in the following terms:

Adverse Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, because of the significance of the matters described in the basis for adverse conclusion section of our report, we are not satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for Adverse Conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, we identified the following matters.

Ongoing Financial Sustainability

During the course of the year, the Authority continued to face a number of challenges in respect of its financial sustainability. The Authority incurred an overspend of £5.466 million for 2018/19, which equates to 2.1% of its net budget requirement for the year. Of this, £5.121 million related to expenditure in excess of the budget on the provision of services to unaccompanied asylum seeker children.

Whilst the Authority was able to maintain its General Fund and Earmarked Reserves balances during the course of the year, this was due to the Authority's treatment of its Dedicated Schools Grant overspend of £9.193 million, which was reflected in debtors in the financial statements at the end of 2018/19. If the reserve impact of this balance had been accounted for in 2018/19 it would have reduced the General Fund Reserves to £1.2 million, a useable reserve balance which is not sustainable in the medium term.

These matters identify weaknesses in the Authority's arrangements for setting a sustainable budget with sufficient capacity to absorb ongoing cost pressures. They are evidence of weaknesses in proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

OFSTED Inspection of Children Services

Following an Ofsted report on Children's Services in September 2017 the Secretary of State for Education concluded that the Authority was failing to deliver children's services to an adequate standard and appointed a commissioner to review the most effective way of securing and sustaining improvement in Croydon. The commissioner reported in January 2018 recommending that the Authority should retain responsibility for the provision of children's services, highlighting that significant challenges remain and that the scale of the challenge was just beginning to be understood.

The monitoring visit reports dated 10 July 2018, 3 October 2018 and 19 February 2019 provide evidence that the Council has been addressing the weaknesses identified by Ofsted during 2018/19, however the Authority awaits a formal re-inspection by Ofsted which will provide assurance in respect of the progress made. In the interim, the Authority's Children Services continuing to be rated as 'Inadequate' by OFSTED due to issues identified in respect of the services for children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board.

Having considered the findings and conclusions of Ofsted's inspections and monitoring visits, together with the results of our audit work, we have concluded that there are weaknesses in the Authority's arrangements for delivering services for children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board. This matter is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

Certificate

In our report dated 31 July 2019, we explained that we could not formally conclude the audit on that date until we had issued our report on the consistency of the pension fund financial statements included in the Pension Fund Annual Report of the London Borough of Croydon Pension Fund with the pension fund financial statements included in the Statement of Accounts. Our opinion has now been issued.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We certify that we have completed the audit of the financial statements of the London Borough of Croydon in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General.

Sarah L Ironmonger

Sarah Ironmonger, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

29 November 2019