

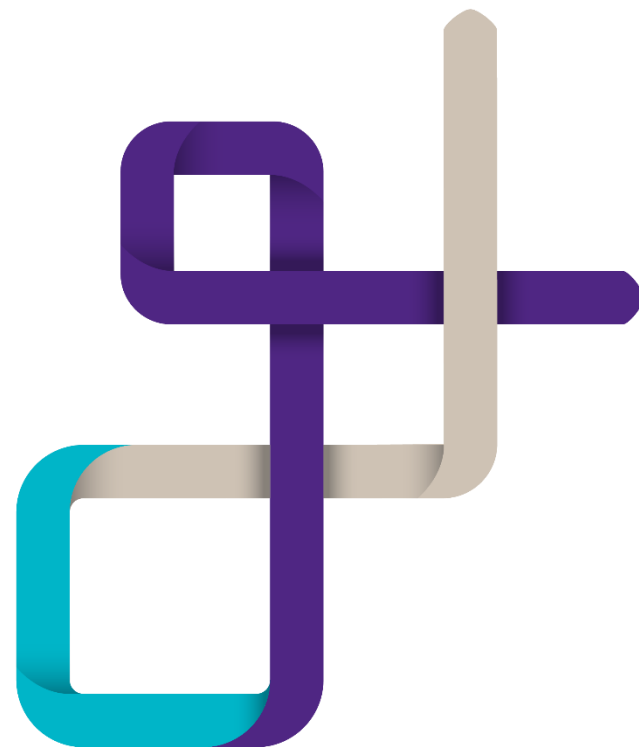
# Audit Findings

*Year ending 31 March 2018*

---

Croydon Pension Fund

18 July 2018



# Contents



**Your key Grant Thornton team members are:**

Sarah Ironmonger  
Engagement Lead

T: 012 9355 4072  
E: sarah.i.ironmonger@uk.gt.com

Thomas Slaughter  
Manager

T: 020 7728 2972  
E: thomas.m.slaughter@uk.gt.com

Chloe Edwards  
In-Charge Accountant

T: 020 7728 3276  
E: chloe.d.Edwards@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	4
3. Independence and ethics	11

**Appendices**

- A. Action plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Headlines

## Introduction

This table summarises the key issues arising from the statutory audit of Croydon Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

<b>Financial Statements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;</li></ul>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 10. We have not identified any adjustments to the Fund's reported financial performance and position detailed within the Fund Account and the Net Assets Statement. We have identified a number of amendments to the disclosures set out in the notes to the accounts, which are detailed in Appendix B. We have also raised one recommendation for management as a result of our audit work in Appendix A.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the General Purposes and Audit Committee meeting on 16 July 2018, as detailed in Appendix D. These outstanding items include:</p> <ul style="list-style-type: none"><li>- completion of a trend analysis of benefit payments;</li><li>- receipt and review of management explanations for variances noted from our analytical review comparisons of contributions and benefit payments;</li><li>- receipt and review of third party confirmation of the investments held with North Sea Capital;</li><li>- receipt and review of the Pension Scheme Annual Report;</li><li>- receipt of the management representation letter</li><li>- senior management quality review processes; and</li><li>- review of the final set of financial statements.</li></ul>
-----------------------------	--	--

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

## Audit approach

Our audit approach was based on a thorough understanding of your Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- controls testing of benefit payments to new pensions and of starters, leavers and changes of circumstance processed on the pension admin system; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the General Purposes and Audit Committee meeting on 16 July 2018, as detailed in Appendix D. These outstanding items include:

- completion of a trend analysis of benefit payments;
- completion of cutoff testing of investment purchases and sales;
- receipt and review of outstanding evidence for our testing of contributions and investment purchases;
- receipt and review of management explanations for variances noted from our analytical review comparisons of contributions and benefit payments;
- receipt and review of third party confirmation of the investments held with North Sea Capital;
- receipt and review of the Pension Scheme Annual Report;
- receipt of the management representation letter
- senior management quality review processes; and
- review of the final set of financial statements.

# Summary (continued)

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of the value of materiality, performance materiality and trivial matters has been adjusted from the amounts communicated in our Audit Plan dated 15 March 2018 because we have recalculated them based upon the outturn position reported in the draft 2017/18 financial statements. We detail in the table below our assessment of materiality for Croydon Pension Fund.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£11,314,000	<ul style="list-style-type: none"><li>In calculating materiality, we have considered the users the financial statements and the extent to which they place reliance on the financial statements.</li></ul>
Performance materiality	£7,920,000	<ul style="list-style-type: none"><li>In calculating performance materiality, we have considered the Fund's control environment and the likelihood of material misstatements of the financial statements arising.</li></ul>
Trivial matters	£566,000	<ul style="list-style-type: none"><li>We have considered the level at which audit misstatements would be of interest to management and to members of the General Purposes and Audit Committee in discharging their duties.</li></ul>
Materiality for specific transactions, balances or disclosures	<ul style="list-style-type: none"><li>Disclosures of senior officer salaries - £10,000<ul style="list-style-type: none"><li>Related party transactions - £400,000</li></ul></li></ul>	<ul style="list-style-type: none"><li>We have identified these as disclosures where misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users.</li></ul>

# Going concern

**Our responsibility**

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

**Going concern commentary**

---

**Management's assessment process**

- Management have assessed that the Fund has sufficient resources to meet its liabilities as they fall due for the foreseeable future.

**Auditor commentary**

- We are satisfied regarding the appropriateness of management’s process for formulating their going concern assessment.

**Work performed**

Detail audit work performed on management’s assessment

**Auditor commentary**

- We have considered the financial position of the Fund and undertaken a review to identify any possible indicators of any circumstances or events that could indicate that the Fund is no longer a going concern.

**Concluding comments**

**Auditor commentary**

- We have identified no events or conditions in the course of the audit that we consider may cast significant doubt on your ability to continue as a going concern.
- We are satisfied with the appropriateness of management’s going concern assessment process. As such we plan to issue an unmodified audit report in respect of going concern.

# Significant audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1 Improper revenue recognition</b></p> <p>Under ISA 240 (UK) 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><b>Auditor commentary</b></p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the London Borough of Croydon as the Administering Authority of Croydon Pension Fund, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Croydon Pension Fund.</p> <p>Though we have rebutted this risk, we have still tested all revenue streams to a material extent. Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>2 Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>• We undertook the following procedures in relation to this risk:             <ul style="list-style-type: none"> <li>– gained an understanding of the significant accounting estimates, judgements applied and decisions made by management and consider their reasonableness;</li> <li>– obtained a full listing of journal entries, identified and then tested unusual journal entries for appropriateness; and</li> <li>– evaluated the rationale for any changes in accounting policies or significant unusual transactions that came to out attention during the course of the audit.</li> </ul> </li> <li>• Our work has not identified any issues in respect of this risk.</li> </ul>
<p><b>3 Change in accounting system</b></p> <p>During the year there has been a change in the accounting system used for the pension fund. There is therefore a risk that data may not have been transferred over correctly from the old system.</p>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>• We undertook the following procedures in relation to this risk:             <ul style="list-style-type: none"> <li>– documented the controls in place to manage the transfer of data to the new system; and</li> <li>– tested the completeness of the transfer of data to the new system.</li> </ul> </li> <li>• Our work has not identified any issues in respect of this risk.</li> </ul>

# Significant audit risks (continued)




Risks identified in our Audit Plan		Commentary
4	<b>The valuation of Level 3 investments is incorrect</b>	<b>Auditor commentary</b>
	<p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>We identified the valuation of level 3 investments as a risk requiring special audit consideration.</p>	<ul style="list-style-type: none"><li>• We undertook the following procedures in relation to this risk:<ul style="list-style-type: none"><li>– gained an understanding of the Fund’s process for valuing Level 3 investments and evaluating the design of the associated controls;</li><li>– reviewed the nature and basis of estimated Level 3 valuations and considered what assurance management has over the year end valuations provided for these investments; and</li><li>– for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts as at 31 December 2017 for individual investments, agreeing these to fund manager reports at that date and reconciling those values to the valuations reported at 31 March 2018 with reference to known movements in the intervening period.</li></ul></li><li>• Our work has not identified any issues in respect of this risk. Following receipt in July 2018 of the final investment valuations as at 31 March 2018, management have posted an adjustment to increase the valuation of private equity and infrastructure assets reported on the Net Assets Statement by £8,052k. This adjustment is set out in Appendix B.</li></ul>






# Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary
<p><b>5 Contributions</b></p> <p>Contributions from employers and employees' represents a significant percentage (68%) of the Fund's revenue.</p> <p>We therefore identified occurrence of contributions as a risk requiring particular audit attention.</p>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>We undertook the following procedures in relation to this risk:             <ul style="list-style-type: none"> <li>evaluated the Fund's accounting policy for recognition of contributions for appropriateness;</li> <li>gained an understanding of the Fund's system for accounting for contributions income and evaluate the design of the associated controls;</li> <li>tested a sample of contributions to source data to gain assurance over their accuracy and occurrence; and</li> <li>rationalised contributions received with reference to changes in member body payrolls and the number of contributing pensioners and noted no unusual trends.</li> </ul> </li> <li>Our work has not identified any issues in respect of this risk.</li> </ul>
<p><b>6 Pension Benefits Payable</b></p> <p>Pension benefits payable represents a significant percentage (81%) of the Fund's expenditure.</p> <p>We identified completeness of pension benefits payable as a risk requiring particular audit attention:</p>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>We undertook the following procedures in relation to this risk:             <ul style="list-style-type: none"> <li>evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;</li> <li>gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls;</li> <li>undertaken controls testing in respect of a sample of benefit payments to new pensioners who commenced receipt of pension payments during 2017/18; and</li> <li>rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.</li> </ul> </li> <li>Our work has not identified any issues in respect of this risk.</li> </ul>
<p><b>7 The valuation of Level 2 investments is incorrect</b></p> <p>While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.</p> <p>We identified valuation of level 2 investments as a risk requiring particular audit attention.</p>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>We undertook the following procedures in relation to this risk:             <ul style="list-style-type: none"> <li>gained an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls;</li> <li>reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; and</li> <li>for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on units and unit prices.</li> </ul> </li> <li>Our work has not identified any issues in respect of this risk.</li> </ul>

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> <li>Contributions and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year.</li> </ul>	The revenue recognition policies are appropriate and in accordance with the CIPFA Code of Practice and International Financial Reporting Standards (IFRS).	 <b>Green</b>
Judgements and estimates	<ul style="list-style-type: none"> <li>Key estimates and judgements include:               <ul style="list-style-type: none"> <li>the assumptions within the IAS26 calculation of the present value of future retirement benefits;</li> <li>the assumptions within the triennial valuation; and</li> <li>valuation of Level 3 investments.</li> </ul> </li> </ul>	We are satisfied that in all significant respects, judgements and estimates have been disclosed appropriately and adequately in accordance with appropriate accounting policies.	 <b>Green</b>
Other critical policies	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul>	We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice. We consider the Fund's accounting policies are appropriate and consistent with previous years.	 <b>Green</b>

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the General Purposes and Audit Committee in our Audit Plan dated 15 May 2018. We have not been made aware of any frauds during the period in respect of the Fund and no issues have been identified during the course of our audit procedures.</li> </ul>
2	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Pension Fund.</li> </ul>
5	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to your fund managers, custodians and other institutions with which you held bank or investment balances as at the year end. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation, with the exception of our requests sent to Goldman Sachs and North Sea Capital. We have undertaken appropriate alternative procedures to gain assurance regarding the existence and valuation of your Goldman Sachs Money Markey Fund balance as at 31 March 2018. We are continuing to follow-up the North Sea Capital confirmation and will require it to be returned to us before we can conclude the audit.</li> </ul>
6	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review identified a number of disclosure omissions or required adjustments in respect of the financial statements. These are detailed in Appendix B.</li> </ul>
7	<b>Significant difficulties</b>	<ul style="list-style-type: none"> <li>We have experienced no significant difficulties in performing our audit work.</li> </ul>
8	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to give a separate opinion for the Pension Scheme Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</li> <li>We propose to issue our 'consistency' opinion on the Pension Scheme Annual Report in late July alongside our main opinion on the financial statements.</li> </ul>

# Independence and ethics

## **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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

## **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

**Impact of adjusted misstatement**

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail		Fund Account £'000	Net Assets Statement £' 000
1	Management have updated the valuations of private equity and infrastructure investments based upon the final valuations from fund managers received in July. The draft financial statements were prepared prior to these valuations having been finalised. The required adjustments are as follows:		£1,666k
	- DR infrastructure investments - £1,666k		£6,416k
	- DR private equity investments - £6.416k	£(8,052)k	
	- CR profit and loss on disposal of investments and changes in the market value of investments - £8,052k		
Overall impact		£(8,052)k	£8,052k

# Audit Adjustments

Disclosure omission	Detail	Adjusted?
<b>Croydon's Role as a Pension Administering Authority</b>	<ul style="list-style-type: none"> <li>The section 'Croydon's Role as a Pension Administering Authority' on page 98 should be moved to a note to the accounts to make clear that these disclosures form part of the audited statement of accounts.</li> </ul>	✓
<b>Net Assets Statement</b>	<ul style="list-style-type: none"> <li>There should be a footnote beneath the Fund Account to explain that the statements do not take account of liabilities to pay future benefits and to reference where the actuarial present value of promised retirement benefits is disclosed</li> </ul>	✓
<b>Net Assets Statement</b>	<ul style="list-style-type: none"> <li>On the face of the Net Assets Statement, it was disclosed that the Fund holds property investments, however these investments are pooled property funds and not direct property investments.</li> </ul>	✓
<b>General Principles</b>	<ul style="list-style-type: none"> <li>Within Note 1 'General Principles', it was disclosed that the financial statements have been prepared in accordance with the provisions of Sections 6.5.1 to 6.5.5 of the 2017/18 Code of Practice on Local Authority Accounting. There are, however, other sections of the Code that need to be followed where relevant, compliance with the Code should not be restricted to sections 6.5.1-6.5.5.</li> </ul>	✓
<b>Sources of Estimation Uncertainty</b>	<ul style="list-style-type: none"> <li>No disclosures were provided within Note 6 'Assumptions Made About The Future and Other Sources of Estimation Uncertainty' of estimation uncertainty relating to the valuation of private equity and infrastructure investments.</li> </ul>	✓
<b>Fund Information</b>	<ul style="list-style-type: none"> <li>The numbers of contributing members, deferred pensioners and pensioners disclosed in Note 7 'Fund Information' were incorrect. It was stated that total numbers of contributing members, deferred pensioners and pensioners as at 31 March 2018 were 9,524, 9,399 and 6,482 respectively. However, there were actually 9,701, 9,463 and 7,492 pensioners respectively in these categories as at the year end.</li> </ul>	✓
<b>Benefits</b>	<ul style="list-style-type: none"> <li>Within Note 9 'Benefits', no disclosure has been provided of benefits payable analysed between the administering authority, scheduled bodies and admitted bodies, as is required by para 6.5.5.1 of the CIPFA Code of Practice.</li> <li>You have not amended the note to provide this disclosure because you did not record benefits payable during 2017/18 in a form that allows such an analysis to be prepared. This constitutes an unadjusted misstatement to the financial statements and has been noted in the Pension Fund letter of representation.</li> <li>Your officers have confirmed that they plan to disclose such an analysis within the note in the accounts for 2018/19.</li> </ul>	X

# Audit Adjustments (continued)

Disclosure omission	Detail	Adjusted?
Related Party Transactions	<ul style="list-style-type: none"><li>Note 19 'Information in Respect of Material Transactions With Related Parties' was not updated for 2017/18 from the prior year.</li></ul>	✓
Financial Instruments	<ul style="list-style-type: none"><li>Within Note 25 'Financial Instruments', £578,812k of pooled investments were disclosed as Level 1 investments, however we would consider these to be Level 2 investments because though quoted market prices are available for the underlying investments of these funds, the funds themselves are not listed.</li></ul>	✓

# Action plan

We have identified one recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<div><div>1</div><div>Medium</div></div>	<ul style="list-style-type: none"><li>We have noted from our testing of controls around new starters into the scheme that statutory notifications of membership in the scheme had not been sent to two new starters who have been employed since April 2017 and September 2017 respectively.</li><li>In both cases, these letters were no sent because the individuals in question are employed over external payrolls and the payroll providers did not notify the Council that they had joined the scheme.</li></ul>	<div><ul style="list-style-type: none"><li>Ensure that statutory notification letters for all new starters are sent out in a timely manner.</li></ul></div> <div><b>Management response</b><ul style="list-style-type: none"><li>To ensure that all new starters have been identified the team will need to be able to reconcile records held on Altair with locally held payroll records. For this to happen the team are rolling out local access to the system through i-Connect and this will allow other scheme employers to verify the accuracy of records.</li></ul></div>

**Controls**  
● High – Significant effect on control system  
● Medium – Effect on control system  
● Low – Best practice



# Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£21,000	£21,000
Total audit fees (excluding VAT)	£21,000	£21,000

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

## Non Audit Fees

No other services have been provided.

# Audit opinion

**We anticipate we will provide the Pension Fund with an unmodified audit report.**

## Independent auditor's report to the members of the London Borough of Croydon on the pension fund financial statements

### Opinion

We have audited the pension fund financial statements of the London Borough of Croydon (the 'Authority') for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 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 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Resources and Section 151 officer's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Executive Director of Resources and Section 151 officer's has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

## Other information

The Executive Director of Resources and Section 151 officer is responsible for the other information. The other information comprises the information included in the Pension Fund Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Pension Fund Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

**Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

**Responsibilities of the Authority, the Executive Director of Resources and Section 151 officer's and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources and Section 151 officer. The Executive Director of Resources and Section 151 officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Executive Director of Resources and Section 151 officer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Executive Director of Resources and Section 151 officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The General Purposes and Audit Committee is Those Charged with Governance.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

[Signature]

Sarah Ironmonger  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

2nd Floor  
St John's House  
Haslett Avenue West  
Crawley  
RH10 1HS

[Date]

