

LONDON BOROUGH OF CROYDON

REPORT:	AUDIT AND GOVERNANCE COMMITTEE	
DATE OF DECISION	20 April 2023	
REPORT TITLE:	Interim Auditor's Annual Report	
CORPORATE DIRECTOR / DIRECTOR:	Jane West Corporate Director of Resources and Section 151 officer	
LEAD OFFICER:	Jane West, Corporate Director of Resources	
LEAD MEMBER:	Councillor Jason Cummings Cabinet Member for Finance	
DECISION TAKER:	N/A	
AUTHORITY TO TAKE DECISION:	N/A	
KEY DECISION?	No	REASON: N/A
CONTAINS EXEMPT INFORMATION?	No	Public
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

Grant Thornton have issued an Interim External Auditor's Report for the Council for the financial years 2019-20, 2020-21 and 2021-22. The report is attached as Appendix A to this report. The Council's response to the report's recommendations is attached as Appendix B.

2 RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- 2.1 Note the Interim External Auditor's Report from Grant Thornton.
- 2.2 Agree to monitor the implementation of the recommendations from the report.

3. BACKGROUND AND DETAILS

- 3.1 Grant Thornton, the Council's External Auditor, has issued an Interim External Auditor's Report for the financial years 2019-20, 2020-21 and 2021-22. The report is attached as Appendix A to this report.
- 3.2 Although the external audit of the accounts for these years are delayed, Grant Thornton are obliged under the National Audit Office Code of Practice to report concerns promptly rather than waiting until the audit work is complete. This report fulfils this requirement and reports against three areas in line with the NAO Code:-
- Financial Sustainability
 - Governance
 - Improving Economy, Efficiency and Effectiveness.
- 3.3 The report sets out the history of reporting from Grant Thornton in the context of the Council's serious financial position which emerged in late 2020. It documents the progress the Council has made so far and the challenges it still faces. They have examined the following areas under Financial Sustainability:-
- Identifies all the significant financial pressures it is facing and builds these into its short and medium term plans
 - Plans to bridge its funding gaps and identify achievable savings
 - Plan sits finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
 - Ensures its financial plans such as workforce, capital, investment and other operational planning
 - Identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans
- 3.4 The areas under governance are:
- Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
 - Approaches and carries out its annual budget setting process
 - Ensures effective processes and systems are in place to ensure budgetary control
 - Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
 - Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.
- 3.5 Finally in the area of improving economy, efficiency and effectiveness Grant Thornton report against:
- Uses financial and performance information to assess performance and to identify areas for improvement

- Evaluates the services it provides to assess performance and identify areas for improvement
- Ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- Ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

3.6 Grant Thornton make four new recommendations to the Council which have all been accepted by the Council in relation to the delivery of sufficient savings to return the Council to financial sustainability, increasing the profile of internal audit and the pace of delivery of internal audit recommendations, improving resident engagement and strengthening procurement governance. The Council's responses to the recommendations are set out in Appendix B to this report.

4 ALTERNATIVE OPTIONS CONSIDERED

N/A

5 CONSULTATION

None

6. CONTRIBUTION TO COUNCIL PRIORITIES

The delivery of the recommendations of the Interim Auditor's Annual Report from Grant Thornton aligns with the Mayor's core outcome of balancing the Council's books.

7. IMPLICATIONS

7.1 FINANCIAL IMPLICATIONS

7.1.1 The recommendations from the Internal Auditor's Annual Report are accepted in full and progress on their implementation will be monitored.

Approved by: Allister Bannin, Director of Finance (Deputy Section 151 Officer) on behalf of Corporate Director of Resources.

7.2 LEGAL IMPLICATIONS

7.2.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Audit and Governance Committee is required by its terms of reference to "consider the reports of external audit and inspection agencies and make recommendations as appropriate to management,

Cabinet and/or Full Council. To review the external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit".

7.2.2 Under Section 20 of the Local Audit and Accountability Act 2014, in auditing the authority's accounts, the local auditor must be satisfied that the accounts comply with legislative requirements, that proper practices have been observed in the preparation of the statement of accounts and that the statement presents a true and fair view, and that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The local auditor must also comply with the applicable code of practice, and the Code of Audit Practice issued by the National Audit Office requires the auditor to clearly document the work they have undertaken and report each year, having regard to certain specified reporting criteria, namely financial sustainability, governance, and improving economy, efficiency and effectiveness..2.3 The authority is of course, also under a general duty "to make arrangements for the proper administration of their financial affairs" under Section 151 of the Local Government Act 1972. In addition, the authority is under a duty to deliver its functions in a manner which promotes economy, efficiency and effectiveness, and therefore the consideration of this report also seeks to demonstrate the authority's compliance with its Best Value Duty under the Local Government Act 1999.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law, on behalf of the Director of Legal Services and Monitoring Officer.

7.3 EQUALITIES IMPLICATIONS

7.3.1 Under the Public Sector Equality Duty of the Equality Act 2010, decision makers must evidence consideration of any potential impacts of proposals on groups who share the protected characteristics, before decisions are taken. This includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate services, and also how they commission and procure services from others.

7.3.2 Section 149 of the Act requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

7.3.3 Protected characteristics defined by law include race and ethnicity, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, and religion or belief.

7.3.4 Having due regard means there is a requirement to consciously address the three tenets of the Equality Duty within decision-making processes. By law,

assessments must contain sufficient information to enable the local authority to show it has paid 'due regard' to the equalities duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. There have been no direct Equalities implications arising from this report.

Approved by: Barbara Grant on behalf of Denise McCausland – Equality Programme Manager

7.4 HUMAN RESOURCES IMPLICATIONS

7.4.1 There are no immediate workforce implications arising from the recommendations in this report. Any mitigation on budget implications that may have effect on direct staffing will be managed in accordance with relevant human resources policies and procedures and where necessary consultation with our recognised trades unions.

Approved by; Dean Shoesmith, Chief People Officer

8. APPENDICES

Appendix A: Interim External Auditor's Annual Report from Grant Thornton

Appendix B: The Council's Response to the Interim External Auditor's Annual Report

9. BACKGROUND DOCUMENTS

None