Independent auditor's report to the members of London Borough of Croydon

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of the London Borough of Croydon (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the 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 2020/21.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (the 'Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2021 by 13 December 2024 (the 'backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's and group's financial statements for the year ended 31 March 2021 as a whole are free from material misstatement.

We were also unable to obtain sufficient appropriate evidence for the corresponding figures due to the disclaimer of opinion issued on the 2019/20 financial statements. We issued a report in the public interest in January 2022 which outlined our concerns over the historical decision making and governance arrangements relating to the refurbishment of Fairfield Halls. The £62.6 million refurbishment of Fairfield Halls was undertaken by the Authority's wholly owned subsidiary Brick by Brick Croydon Ltd ('Brick by Brick') and funded by the Authority. This report highlighted potential non-compliance with laws and regulations by the Authority. In response, the Authority engaged a forensic expert to investigate the matters detailed in our report. The Authority's consideration of the forensic expert's report and other reports, including our report in the public interest on Fairfield Halls, plus our separate report in the public interest concerning the Authority's financial position and related governance arrangements, led to the Authority referring matters to the Metropolitan Police to consider whether a misconduct in public office offence has been committed. Management were unable to quantify the potential impact of this police investigation on the financial statements. As a result of these matters, we have been unable to perform specified audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the current period financial statements.

We have also noted that the 2020/21 financial statements include accounting entries in respect of a Ministry of Housing, Communities and Local Government (MHCLG) capitalisation directive for £70 million which has been credited to the Comprehensive Income and Expenditure Statement (CIES). To date MHCLG have not confirmed that the Authority is permitted to include this sum in the CIES and thus we were unable to obtain sufficient, appropriate evidence over this balance. Had we not disclaimed our opinion, this matter would have led us to modify our opinion on the financial statements.

We have therefore issued a disclaimer of opinion on the 2020/21 financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2021 as soon as reasonably practicable after the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from these matters could be both material and pervasive.

Our approach to the audit

Overview of our audit approach

Financial statements audit

Overall materiality

- Group: £14 million, which represents 1% of the group's gross expenditure of continuing operations.
- Authority: £13 million, which represents 1% of the Authority's gross expenditure of continuing operations.

Key audit matters

In addition to the matters described in the basis for disclaimer of opinion section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

- KAM 1: Valuation of land and buildings (same as previous year)
- KAM 2: Revenue recognition for fees and charges and other service income (same as previous year)
- KAM 3: Valuation of pension fund net liability (same as previous year)
- KAM 4: Completeness of operating expenditure and associated creditor balances

Our auditor's report for the year ended 31 March 2020 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to 'Financial information transferred to the new general ledger' which was identified as a risk in the prior year in response to control issues noted over the IT environment of the new general ledger system.

Value for money arrangements

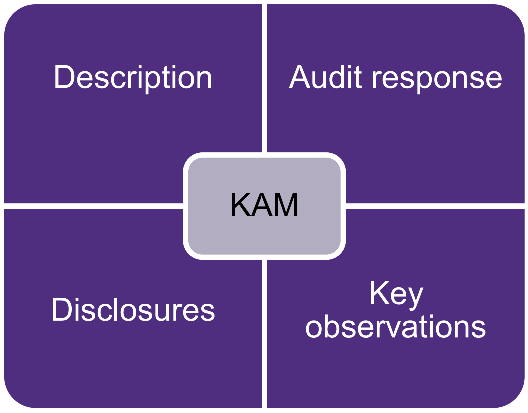
We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Our approach to this work is set out in the 'Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources' section of this report.

We have identified two significant risks in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources in respect of:

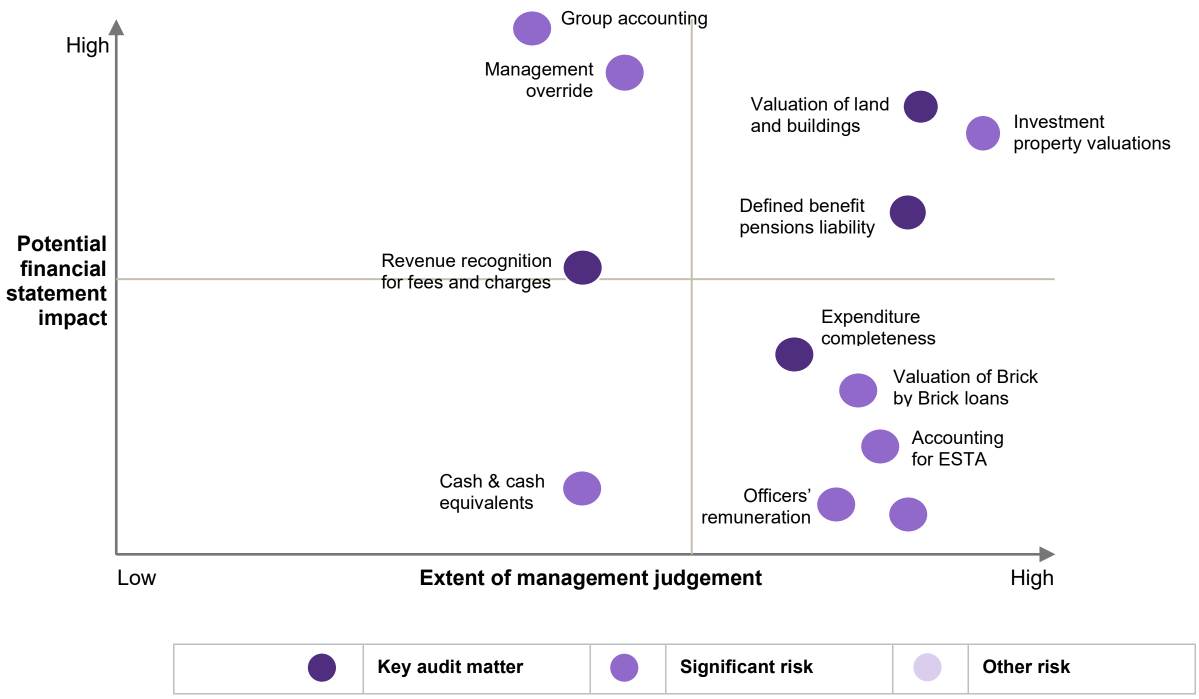
- financial sustainability; and
- governance of finance and group structures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Authority's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the basis for disclaimer of opinion section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter - Group and Authority	How our scope addressed the matter - Group and Authority
Valuation of land and buildings The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.782 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management need to ensure the carrying value in the Authority financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement due to error.	In responding to the key audit matter, we performed the following audit procedures: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • discussed with the valuer the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021 • **Accounting Policy:** Note 1.4.1. Property, plant and equipment Note 4. Assumptions made about the future and other major sources of estimation uncertainty • **Financial statements:** Note 12. Property, Plant and Equipment Note 23.1. Revaluation Reserve Note 23.3. Capital Adjustment Account • **Narrative report**	As a result of our disclaimer of opinion on the financial statements as a whole, we have not reported any key observations. To include such key observations in the same report in these circumstances may contradict our disclaimer of opinion on the financial statements as a whole.
Revenue recognition for fees and charges and other service income Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue, which we initially rebut for both the group and the Authority audits. However, we have concluded that we are unable to rebut that risk for all revenue streams, due to the pressure on the overall financial position of the group and Authority. Our assessment is that the greatest risk of material misstatement relates to fees and charges and other service income. This income stream is characterised by increased judgement from management regarding recognition of revenue from fees and charges and other	In responding to the key audit matter, we performed the following audit procedures: • evaluated the group and Authority's accounting policy for recognition of income from fees and charges and other services for appropriateness; • gained an understanding of the group and Authority's system for accounting for income from fees and charges and other services and evaluated the design of the associated controls; and • agreed on a sample basis amounts recognised as income from fees and charges and other services in the financial statements to gain assurance over the occurrence and

service income compared to income streams such as council tax and NNDR, HRA rental revenues and government grants and contributions. We therefore identified revenue recognition for fees and charges and other service income as a significant risk, which was one of the most significant assessed risks of material misstatement due to error.	accuracy of income, challenging management judgements made in the recognition of revenue.
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021 • **Accounting Policy**: Note 1.5.2. Debtors Note 1.11. Financial Instruments Note 1.18. Recognition of income and expenditure • **Financial statements**: Note 5 Material Items of Income and Expense Note 16 Financial Instruments Note 17 Debtors • **Narrative report**	As a result of our disclaimer of opinion on the financial statements as a whole, we have not reported any key observations. To include such key observations in the same report in these circumstances may contradict our disclaimer of opinion on the financial statements as a whole**.**
Valuation of the pension fund net liability The Authority's pension fund net liability, as reflected in its Balance Sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£700 million in the Authority Balance Sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement due to error.	In responding to the key audit matter, we performed the following audit procedures: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021 • **Accounting Policy:** Note 1.10. Employee Benefits Note 4. Assumptions made about the future	As a result of our disclaimer of opinion on the financial statements as a whole, we have not reported any key observations. To include such key observations in the same report in these

and other major sources of estimation uncertainty • **Financial statements:** Note 23.5. Pensions Reserve Note 41. Pensions - IAS19 and Accounting Code of Practice Disclosure Notes • **Narrative report**	circumstances may contradict our disclaimer of opinion on the financial statements as a whole.
Completeness of operating expenditure and associated creditor balances Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered as a potential significant risk, especially where organisations are required to meet financial targets. Due to the pressure to deliver a balanced budget, the low level of General Fund reserves held by the Authority and in-year budget overspends there is a risk over the completeness of the operating expenditure and associated creditor balances. We have therefore identified the completeness of operating expenditure and associated creditor balances as a significant risk, which was one of the most significant assessed risks of material misstatement due to error.	In responding to the key audit matter, we performed the following audit procedures: • evaluated the design and implementation effectiveness of the accounts payable system; • analysed reconciliations between the Accounts Payable system and the General Ledger to obtain evidence that the operating expenditure included within the financial statements is complete; • searched for unrecorded liabilities by performing sample testing of invoices processed through the accounts payable system post-year end; • searched for unrecorded liabilities by inspecting cash payments post-year end; and • performed substantive sample testing of liabilities recorded in the ledger to gain assurance that liabilities are accurate and not understated.
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021 • **Accounting Policy:** Note 1.6.1. Short term creditors, Note 1.11. Financial Instruments Note 1.18. Recognition of income and expenditure • **Financial statements**: Note 5. Material Items of Income and Expense, Note 16. Financial Instruments Note 20. Creditors And Receipts in Advance • **Narrative report**	As a result of our disclaimer of opinion on the financial statements as a whole, we have not reported any key observations. To include such key observations in the same report in these circumstances may contradict our disclaimer of opinion on the financial statements as a whole.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

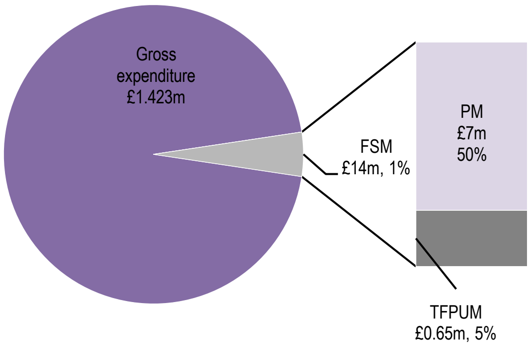
Materiality was determined as follows:

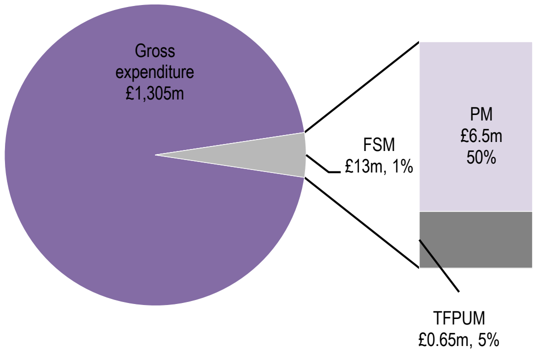
Materiality measure	Group	Authority
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	

Materiality measure	Group	Authority
Materiality threshold	Overall materiality has been set at £14 million, which represents 1% of the group's gross expenditure of continuing operations.	Overall materiality has been set at £13 million, which represents 1% of the Authority's gross expenditure of continuing operations.
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: • The benchmark selected of gross expenditure is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority (which is the most significant entity in the group) has expended its revenue and other funding. • In selecting an appropriate percentage to apply to that benchmark, we considered the heightened public interest in the group that reflects the fact that the Authority is a Public Interest Entity.	
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	Performance materiality for the year has been set at £7 million, which is 50% of financial statement materiality.	Performance materiality for the year has been set at £6.5 million, which is 50% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements: • Performance materiality for the current year is consistent with the lower level that we determined for the year ended 31 March 2020 to reflect the ongoing uncertainty arising from matters identified in prior periods.	
Specific materiality	We determined a lower level of specific materiality for the following areas: Officer Remuneration £100k	We determined a lower level of specific materiality for the following areas: Officer Remuneration £100k
Communication of misstatements to the Audit and Governance Committee	We determine a threshold for reporting unadjusted differences to the Audit and Governance Committee.	
Threshold for communication	£0.65 million and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£0.65 million and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group	Overall materiality – Authority





FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, is risk based, and in particular included:

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality and significance of the component as a percentage of the group's gross expenditure;
- Performance of full audit procedures for the Authority, which covered 97.67% of the group's total income, 96.69% of its total expenditure and 99.27% of its net assets;
- Performance of an interim visit, which included evaluation of the group's internal control environment including its IT systems and controls;
- Obtaining an understanding of the group structure and the consolidation process and testing the consolidation process, including the alignment of accounting policies and significant consolidation adjustments;
- Issuing group instructions to the auditors of Brick by Brick Croydon Ltd in respect of their audit of Brick by Brick Croydon Ltd for the year ended 31 March 2021 and evaluating the results of their work; and
- As a result of our report in the public interest on the refurbishment of Fairfield Halls, the Authority engaged a forensic expert to investigate the matters raised in our report. We subsequently reviewed the report produced by the forensic expert and considered its impact on our audit of the financial statements.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: Framework (2016 Edition)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Corporate Director of Resources and Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except:

- On 23 October 2020 we issued a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 concerning the Authority's financial position and related governance arrangements.
- On 26 January 2022 we issued a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 concerning the refurbishment of Fairfield Halls and related governance arrangements.
- On 20 March 2023 we identified significant weaknesses in the Authority's legacy financial management and governance arrangements. We made written recommendations to Authority under section 24 of the Local Audit and Accountability Act 2014.

Also within the report issued on 26 January 2022 we made seven written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its procurement and contract management arrangements. We recommended that the Authority should:

- The Chief Executive supported by the Monitoring Officer and the Section 151 Officer should ensure that Cabinet papers for major projects set out clearly
    - the legal powers to enter into a particular arrangement and attendant risk
    - how the Council can protect its interests and secure economy, efficiency and effectiveness
- The Monitoring Officer should ensure that
    - contracts are properly executed before entering into arrangements with third parties
    - the properly executed documents are stored robustly to allow future scrutiny
    - key requirements underpinning the legal advice are in place before progressing with the arrangement
- The Monitoring Officer should ensure that where legal advice changes after a Cabinet decision that the consideration of the implications of the changes is documented and where the Monitoring Officer considers additional legal risks are identified that the Cabinet is updated on the impact on the original decision made.

- The Section 151 Officer should ensure that prior to making payments to third parties that appropriate legal documentation is in place such as a properly executed contract or a properly executed loan agreement
- The Chief Executive should improve record keeping arrangements so that
    - the records supporting key decisions including financial analysis are maintained
    - a standard approach to record keeping with monitoring of which decisions have been implemented
    - tolerances are established for reporting back changes to Cabinet
- The Chief Executive should work with the Leader to continue to embed
    - a clearly understood distinction between the different roles and responsibilities of Members, officers and representatives of entities akin to Brick by Brick
    - clear responsibilities for officers and Portfolio Holders in challenging reports presented to Cabinet and other committees for balance, accuracy and consistency in terms of knowledge
- The Section 151 Officer should ensure financial reporting on significant capital projects is enhanced so that
    - a clear agreed budget for the project is identified and the underlying financial analysis is maintained
    - a clear agreed project expenditure amount can be reported through appropriate governance processes
    - where there are changes in the original financial assumptions that there is an assessment on the project's financial viability with appropriate reporting
    - the revenue impact of any changes in the capital project are addressed in future budget setting

Responsibilities of the Authority, the Corporate Director of Resources and Section 151 Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 5, 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 Corporate Director of Resources and Section 151 Officer. The Corporate Director of Resources and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Resources and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Resources and Section 151 Officer is responsible for assessing the Authority's and the group'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 there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit may be properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

Other matters which we are required to address

We were reappointed by Public Sector Audit Appointments Ltd in December 2017 to audit the financial statements for the year ending 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ending 2013 to 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority or its subsidiaries and we remain independent of the Authority and the group in conducting our audit.

The following services, in addition to the audit, were provided by the firm to the Authority or its subsidiaries and have not been disclosed in the financial statements or elsewhere in the Statement of Accounts:

- Work on the Housing Benefit Subsidy Return;
- CFO Insights Subscription; and
- Adult Social Care Index.

Our audit opinion is consistent with the additional report to the Audit and Governance Committee.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in respect of the above matter except:

- On 23 October 2020 we identified significant weaknesses in the Authority's financial position and related governance arrangements. We issued a report in the public interest following concerns identified around the Authority's financial position and related governance arrangements. This is reflected under the 'Matters on which we are required to report by exception' section of this audit report. Our report made eight high priority recommendations to the Authority.
- On 26 January 2022 we identified significant weaknesses regarding the refurbishment of Fairfield Halls and related governance arrangements. We issued a second report in the public interest highlighting historic failings in the Authority's financial, governance and legal arrangements for the Fairfield Halls refurbishment, with weaknesses in procurement and contract management of the project. This is reflected under the 'Matters on which we are required to report by exception' section of this audit report. Our report made twelve recommendations of which seven were written recommendations.
- On 20 March 2023 we identified significant weaknesses in the Authority's legacy financial management and governance arrangements. We made written recommendations to Authority under section 24 of the Local Audit and Accountability Act 2014.
- On 20 April 2023 we identified significant weaknesses in the Authority's arrangements for financial sustainability. This was in relation to the Authority continuing to face significant financial pressures. During

2020/21, the Authority issued two Section 114 notices and requested a £150m capitalisation directive. The Authority issued a third Section 114 notice in November 2022. Our work identified that the Authority did not have adequate arrangements for scrutinising savings plans before approval, in-year reporting and monitoring of progress against target for savings. We also identified significant weaknesses in the Authority's arrangements to support sustainable delivery and transformation.

We recommended that with three s114 notices having been issued in two years, and the Authority having made it clear that extraordinary government support is required to return to financial sustainability, it will be important that the Authority maintains discipline over its own savings and transformation plans. For savings plans, Internal Audit recommendations for improvement in Star Chamber processes should be implemented as a matter of priority. Only plans that are realistic should be approved. For transformation projects, arrangements should be put in place for tracking and challenging outcomes before any further funding is approved.

- On 20 April 2023 we also identified significant weaknesses in the Authority's arrangements for governance. These were in relation to the Authority's arrangements for risk management, internal control arrangements and resolving and reporting of outstanding internal audit recommendations. In addition, the number of issues raised from our work suggests there were wider issues with underlying cultural standards and overseeing standards in 2020/21 and 2021/22.

  We recommended that the Authority should:

  - Continue to focus on resolving Internal Audit recommendations, including from 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22.
  - Continually review arrangements for overseeing standards and codes of conduct. The Ethics Committee, in overseeing standards, should be mindful that the substance of cultural behaviour is as critical as the procedural form.

- On 20 April 2023 we identified significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness. Our work found weaknesses within the Authority arrangements for working with partners in the housing service during 2020/21 and 2021/22, including arrangements for repairs. We also identified significant weaknesses in arrangements for procurement throughout 2020/21 and 2021/22. In particular, there was an investigation into the risk of illegality in connection with the overspends on the Fairfield Halls refurbishment. We recommended that:

  - Regular engagement with residents should continue. The Authority's goal should be to improve upon a performance where 36% of its respondents described their experience with the Authority as poor or very poor. As the housing contracts are re-procured or insourced, they should be sense checked for lessons learnt from engagement with the previous contractor. Working with partners is more effective where there are shared goals, clear roles and responsibilities, performance metrics that are monitored, and a forward-looking view.
  - The Authority should continue the work started to strengthen procurement arrangements. This will be particularly important as the Authority prepares for new procurement legislation and a transition period in 2023, when two different sets of regulations are expected to be in force at the same time.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of London Borough of Croydon for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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.

Signature:

Paul Dossett

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: 7th August 2025