

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

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2020 issued on 13 December 2024 we reported a disclaimer audit opinion for the following reason:

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 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. The Authority's management are unable to quantify the potential impact of this ongoing police investigation on the financial statements. We are unable to conclude on the completeness of these matters and the implications on the wider audit and as a result we are unable to:

- respond appropriately to suspected non-compliance with laws and regulations identified during the audit;
- obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements; and
- perform specified audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements.
- complete relevant work in relation to the risk of management override of controls including testing journal entries, in accordance with ISA240, which sets out the Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.

We have concluded that the possible effects on the financial statements of undetected misstatements arising from these matters could be both material and pervasive.

We also issued a Limitation of Scope alongside this opinion for the following reason:

In addition to the above, The Authority is a member of a multi-employer pension scheme and as at 31 March 2020 the Authority held a share of the Pension Fund's assets (£1,015,827,000) and liabilities (£1,488,447,000), the net liability of £472,620,000 of which is included in the balance sheet at 31 March 2020. As at 31 March 2019 the share of assets was £1,060,753,000, the liabilities was £1,724,859,000 and the net liability £664,106,000.

As part of our audit procedures, we requested evidence to support the accounting for secondary pension contributions. Secondary contributions serve to recover pension deficits relating to past service, or to reduce primary contributions where a surplus position has arisen. This would require the Authority to commission further work from its actuarial specialists to determine whether these secondary contributions give rise to an additional liability. To limit further delays and costs, management have determined it appropriate to limit the scope of our work in respect of the defined benefit pension plan net liability as disclosed in the balance sheet, associated Pension Fund asset and liability disclosures in the financial statements and corresponding opening balances by not commissioning this additional work. Consequently, we have been unable to determine whether any adjustment to the Authority's share of the London Borough of Croydon Pension Fund's assets and liabilities, or other amounts disclosed in the financial statements in respect of the share of assets and liabilities, are necessary. In addition, were any adjustment to the defined benefit pension plan net liability to be required, the Chief Financial Officer's narrative report would also need to be amended.

Issue of audit opinion on the pension fund financial statements

In our audit report for the year ended 31 March 2020 issued on 13 December 2024 we reported that, in our opinion, the pension fund financial statements of the London Borough of Croydon Pension Fund:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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

In our audit report for the year ended 31 March 2020 issued on 13 December 2024 we reported that, on the basis of our work, we issued an adverse opinion in respect of the arrangements the Authority had put in place for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020. The reasons for the adverse opinion covered five areas, which were:

- the challenges faced by the Authority in respect of its overall financial sustainability
- concerns over the governance of the Authority's wholly owned subsidiaries
- issues raised over the refurbishment of Fairfield Halls
- concerns identified over the condition of some of the Authority's housing stock
- identification of weaknesses in internal control and arrangements to prepare financial statements

Certificate

In our audit report dated 13 December 2024, we explained that we could not formally conclude the audit on that date until we had completed our consideration of matters brought to our attention, including whether we need to exercise any of our formal powers, as listed in the matters on which we are required to report by exception section of our report, relating to the outcome of the ongoing police investigation.

These matters have now been dealt with, and we are satisfied we do not need to take any further action.

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

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

Sarah L Ironmonger

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

London

29 September 2025