

# 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 London Borough of Croydon (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2025, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account - Comprehensive Income and Expenditure Statement, the Movement in Reserves on the HRA Statement, the Collection Fund, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cashflow Statement and the notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include Notes to the Core Financial Statements, Notes to the Housing Revenue Account, Notes to the Collection Fund and Notes Regarding the Group Accounts. 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 2024-25.

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 2025 by 27 February 2026 (the 'backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

We were unable 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 2025 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority and Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2025 for the same reason.

On 13 December 2024 we issued a disclaimer of opinion on the financial statements for the year ended 31 March 2020. In addition, we issued further disclaimers of opinion for the financial statements for the year ended 31 March 2021 on 7 August 2025, for the year ended 31 March 2022 on 14 August 2025, for the year ended 31 March 2023 on 15 August 2025 and for the year ended 31 March 2024 on 18 August 2025.

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. Management was unable to quantify the potential impact of this police investigation on the financial statements for the current and previous periods. 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 financial statements for the year ended 31 March 2025 include accounting entries in respect of Ministry of Housing, Communities and Local Government (MHCLG) capitalisation directives totalling £137.2 million which had been credited to the Comprehensive Income and Expenditure Statement (CIES) and

Movement in Reserves Statement (MIRS). While MHCLG have confirmed that the Authority is permitted to include these values in the CIES and MIRS, we were unable to obtain sufficient, appropriate evidence over this balance and the potential impact on the financial statements for the previous periods. Had we not disclaimed our opinions, this matter would have led us to modify our opinion on the financial statements of the respective periods.

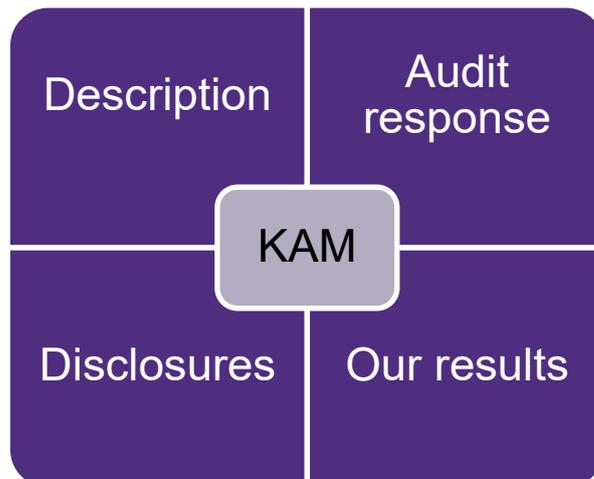
We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

**Our approach to the audit**

|  |  |
|--|--|
|  | <p><b>Overview of our audit approach</b><br/><b>Financial statements audit</b></p>   |
|  | <p>Overall materiality:<br/>Group: £13.5 million, which represents 1% of the group’s gross expenditure.<br/>Authority: £12.8 million, which represents 1% of the Authority’s gross expenditure.</p>  |
|  | <p>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.</p> <ul style="list-style-type: none"> <li>• KAM 1: Presumed risk of fraud in revenue recognition (new in current year);</li> <li>• KAM 2: Presumed risk of fraud in expenditure recognition (new in current year);</li> <li>• KAM 3: Valuation of land and buildings (new in current year); and</li> <li>• KAM 4: Valuation of net pension liability (new in current year).</li> </ul> <p>As noted in the basis for disclaimer of opinion, the audit opinion for the year ended 31 March 2024 was disclaimed and therefore none of the above key audit matters were reported as key audit matters within that opinion.</p> |
|  | <p><b>Value for money arrangements</b></p> <p>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 2025. 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.</p> <p>We have identified one significant risk in respect of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources in respect of financial sustainability.</p>   |

### 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.



We had planned to undertake further audit procedures in addition to those set out in the table below. However, because of the matters described in the basis for disclaimer of opinion section we were unable to do so.

### Key Audit Matter

### How our scope addressed the matter

#### 1 – Presumed risk of fraud in revenue recognition (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,.

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 service income as the values may be more likely to be subject to manipulation in terms of value of income and its posting to the financial statements.

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 fraud and error.

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;
- analysed reconciliations between the Accounts Receivable system and the General Ledger to obtain evidence that the income included within the financial statements is complete;
- 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 evidence supporting recognition in order to gain assurance over the occurrence and accuracy of income,.

#### Relevant disclosures in the Statement of Accounts

- **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**  
Financial performance (page 10)

#### Our results

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.

#### 2 – Presumed risk of fraud in expenditure recognition

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 significant 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 fraud and 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 recorded;
- performed sample testing of invoices processed by the accounts payable system post-year end to confirm accounting entries were correct;
- inspected a sample of cash payments made post-year end to confirm accounting entries were correct; and
- performed substantive sample testing of liabilities recorded in the ledger to evidence supporting recognition in order to gain assurance that liabilities are accurate and not understated.

## Key Audit Matter

## How our scope addressed the matter

### Relevant disclosures in the Statement of Accounts

- **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**  
Financial performance (page 10)

### Our results

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.

### 3 - Valuation of land and buildings

The Authority had completed a full revaluation of its land and buildings as at 31 March 2025. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.1 billion) and the sensitivity of this estimate to changes in key assumptions made in valuing individual assets, including obsolescence and location factors. Management are also required 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; and
- discussed with the valuer the basis on which the valuation was carried out.
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### Relevant disclosures in the Statement of Accounts

- **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

### Our results

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.

### 4 - Valuation of the pension 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 (£90.7 million in the Authority Balance Sheet) and the sensitivity of the estimate to changes in key assumptions (contribution rates, pension benefit increases, fund growth rates, longevity, etc.).

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was

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;

### Key Audit Matter

one of the most significant assessed risks of material misstatement due to error.

### How our scope addressed the matter

- 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 in 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

- **Accounting Policy:**  
Note 1.10. Employee Benefits  
Note 4. Assumptions made about the future 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**  
Pension Fund (page 14)

### Our results

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

#### 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.

|                       | Group  | Authority  |
|-----------------------|--|--|
| Materiality threshold | £13.5 million (2023/24: Not determined due to backstop), which represents 1% of gross expenditure. | £12.8 million (2023/24: Not determined due to backstop), which represents 1% of gross expenditure. |

## Materiality measure

|   |   |   |
|---|---|---|
| Significant judgements made by auditor in determining the materiality             | <p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>• selection of appropriate benchmark,</li> <li>• selection of an appropriate percentage to apply to that benchmark, and</li> <li>• consideration of other qualitative factors such as the Authority being a Public Interest Entity.</li> </ul> <p>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 Group (of which the Authority is the most significant entity in the group) has expended its revenue and other funding.</p> <p>Materiality for the current year is above the 2023/24 financial year: which was not determined due to the local authority backstop.</p> | <p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>• selection of appropriate benchmark,</li> <li>• selection of an appropriate percentage to apply to that benchmark, and</li> <li>• consideration of other qualitative factors such as the Authority being a Public Interest Entity.</li> </ul> <p>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 has expended its revenue and other funding.</p> <p>Materiality for the current year is above the 2023/24 financial year: which was not determined due to the local authority backstop..</p> |
| <b>Performance materiality used to drive the extent of our testing</b>            | <p>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.</p>  |   |
| Performance materiality threshold   | £6.75 million (2023/24: Not determined due to backstop), which represents 50% of gross expenditure.   | £6.4 million (2023/24: Not determined due to backstop), which represents 50% of gross expenditure.<br><br>Parent company component performance materiality has been capped at an amount less than group performance materiality for group audit purposes.   |
| Significant judgements made by auditor in determining the performance materiality | <p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>• Our understanding of the entity, as updated during the performance of risk assessment procedures; and</li> <li>• Our experience with auditing the financial statements of the group in previous years.</li> </ul>   | <p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>• Our understanding of the entity, as updated during the performance of risk assessment procedures; and</li> <li>• Our experience with auditing the financial statements of the group in previous years.</li> </ul>   |
| <b>Specific materiality</b>   | <p>We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.</p>   |   |
| Specific materiality  | We determined a lower level of specific materiality for the following area:   | We determined a lower level of specific materiality for the following area:   |

**Materiality measure**

- Cash and cash equivalents;
- Cash and cash equivalents and Senior officer remuneration.

**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 | £0.675 million (2023/24: Not determined due to backstop), which represents 5% of materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. | £0.675 million (2023/24: Not determined due to backstop), which represents 5% of materiality, 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 threshold for communication to the Audit and Governance committee.

Overall materiality – Group

Overall materiality - Authority



FSM: Financial statement materiality, PM: Performance materiality, TfC: Threshold for communication to the Audit and Governance Committee.

### An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the Authority's business and in particular matters related to:

#### Understanding the group, the Authority and its other components, and their environments, including common controls

- The engagement team obtained an understanding of the Authority, the group and its environment, and its system of internal controls including common controls, and assessed the risks of material misstatement at the group and Authority level.
- The group organisational structure did not significantly influence the scope of the audit as the Authority's finance team was in control of the production of the financial statements, which was not a complex process.

#### Identifying components at which to perform audit procedures

- The group auditor evaluated the identified components to consider if further audit procedures were required due to a risk of material misstatement to the group due to
  - the component's nature or circumstances;
  - the nature and size of assets, liabilities and transactions at the component (being of financial significance to one or more scoped items that it is required to be in scope),
  - to obtain sufficient appropriate audit evidence for significant classes of transactions, account balances and disclosures, or for unpredictability and due to further audit procedures on common controls (where the component would not otherwise be identified from the other categories); and
- The group auditor evaluated the identified components to assess their significance and determine the planned audit response based on a measure of materiality. The significance of each component was determined as a percentage of the group's gross income and expenditure as well as assets and liabilities.

Type of work to be performed on financial information of the Authority and other components (including how it addressed the key audit matters)

- The audit of the Authority and group was designed to incorporate the procedures to address the key audit matters set out earlier in this report.
- Full scope audit procedures were undertaken at the Authority by the group auditor; and
- Analytical review procedures were undertaken by the component auditor on other service expenditure and fees and charges, and the risk of management override of controls for Brick By Brick Croydon Limited.

#### Performance of our audit

- Full scope audit procedures of the Authority, which represents 98% of the group's total gross expenditure.
- Obtained an understanding of and evaluating the group and Authority's internal control environment, including its financial and IT systems and controls.
- Obtained an understanding of the group structure and the consolidation process and testing the consolidation, including the alignment of accounting policies and significant consolidation adjustments.

The components within the scope of further audit procedures accounted for the following percentages of the Group's results, including the key audit matters identified:

| Audit approach        | Number of components | % coverage gross expenditure |
|-----------------------|----------------------|------------------------------|
| Full-scope audit      | 1                    | 98%                          |
| Analytical procedures | 1                    | 2%                           |
| <b>Total</b>          | <b>2</b>             | <b>100%</b>                  |

### 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 the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, 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.

### Our 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's 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 6 October 2025 we made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014. This was in relation the Authority's continued reliance on government financial support, resulting in an unsustainable debt burden and a government appointed commissioner led model being implemented. We recommended that the Authority should seek to work with Government (through its newly appointed Commissioners) to develop an appropriate package of measures, which enable the Authority's operating costs to be reduced, affordable and sustainable.

### Responsibilities of the Authority and the Corporate Director of Resources and Section 151 Officer

As explained more fully in the Statement of Responsibilities, Corporate Director of Resources and Section 151 Officer 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 2024-25, 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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

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's and the 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 the 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, 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 is 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 2022 to audit the financial statements for the year ending 31 March 2024 and subsequent financial periods. The period of total uninterrupted engagement is thirteen years, covering the years ending 2013 to 2025.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and Authority and we remain independent of the group and Authority 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:

- certification of the Housing Benefit Subsidy claim (2023/24);
- certification of the Teachers Pension return (2023/24); and
- certification of the Pooling of Housing Capital Receipts claim (2023/24).

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 2025.

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

- On 6 October 2025 we identified a significant weakness in financial sustainability arrangements relating to continued reliance on government financial support, resulting in an unsustainable debt burden and a government appointed commissioner led model being implemented. We made a written recommendation to the Authority under Schedule 7 of the Local Audit and Accountability Act 2014 which is reflected under Matters on which we are required to report by exception section of this report.

### 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.

### 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 have undertaken 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 document 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 consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for London Borough of Croydon for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority’s consolidation returns and we have received confirmation from the National Audit Office that the audit of Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

## 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 85 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

27 February 2026