

General Purposes and Audit Committee Agenda



To: Councillor Karen Jewitt (Chair)
Councillor Kathy Bee (Vice Chair)
Councillors: Jeet Bains, Jan Buttinger, Jason Cummings, Sherwan Chowdhury,
Mike Fisher, Patricia Hay-Justice, Humayun Kabir and Joy Prince

Independent non-voting Members: Mr Muffaddal Kapasi and Mr Nero Ughwujabo

Reserve Members: Councillors: Carole Bonner, Pat Clouder, Maddie Henson,
Steve Hollands, Bernadette Khan, Dudley Mead, Andrew Rendle,
Donald Speakman, James Thompson and John Wentworth.

A meeting of the **GENERAL PURPOSES AND AUDIT COMMITTEE** which you are hereby summoned to attend, will be held on **Wednesday 22nd March 2017** at **6:30pm** in **Council Chamber, Town Hall, Katharine Street, Croydon**

JACQUELINE HARRIS-BAKER
Acting Council Solicitor and Acting
Monitoring Officer
London Borough of Croydon
Bernard Weatherill House
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Victoria Lower
Members' Services Manager
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14 March 2017

Members of the Public are welcome to attend this meeting. If you require any assistance, please contact Victoria Lower, as detailed above.

AGENDA - PART A

1. Apologies for absence

2. Minutes (Page 1)

To approve the minutes of the meetings held on 29 November 2016 and 7 December 2016 as correct records.

3. Disclosure of Interest

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality in excess of £50. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Business Manager at the start of the meeting. The Chairman will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

4. Urgent Business (if any)

To receive notice from the Chair of any business not on the Agenda which should, in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

5. Grant Thornton - Certification of work for the London Borough of Croydon for year ended 31 March 2016 (Page 15)

To receive the certification of work for year ended 31 March 2016 from the external auditors.

6. Grant Thornton - Audit Plan for year ended 31 March 2017 (Page 19)

Item 6a - To receive the London Borough of Croydon Audit Plan for year ended 31 March 2017 from the external auditors.

Item 6b - To receive the Croydon Pension Fund Audit Plan for year ended 31 March 2017 from the external auditors.

7. Internal Audit Update Report April 2016 to January 2017 (Page 57)

This report details the work completed by Internal Audit so far during 2016/17 and the progress made in implementing recommendations from audits completed in previous years.

8. Internal Audit Charter, Strategy and Plan (Page 79)

The current UK Public Sector Internal Audit Standards came into effect on 1 April 2013. To help with the Council's compliance with these standards the Council's internal audit charter and strategy are reviewed annually and are now attached for approval. These will be reviewed and brought back for approval each year to ensure that they remain up to date and relevant. Also attached is the work plan for internal audit for 2017/18.

9. Anti-Fraud Report 1 April 2016 – 31 January 2017 (Page 97)

This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2016 – 31 January 2017.

10. General Purposes and Audit Committee Annual Report 2016/2017 (Page 143)

To receive the Annual Report of the General Purposes and Audit Committee.

11. Corporate Risk Register 2016/2017 (Page 155)

The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at March 2017.

12. [The following motion is to be moved and seconded as the "camera resolution" where it is proposed to move into part B of a meeting]

That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

AGENDA - PART B

None

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General Purposes and Audit Committee

**Meeting held on Tuesday 29 November 2016 at 6:30pm in F4/F5, Town Hall,
Katharine Street, Croydon**

MINUTES - PART A

Present: Councillor Kathy Bee (Vice Chair)
Councillors Jan Buttinger, Sherwan Chowdhury, Pat Clouder, Jason Cummings, Mike Fisher, Patricia Hay-Justice, Steve Holland, Humayun Kabir, and Joy Prince
Mr Nero Ughwujabo

Also present: Councillor Simon Hall, Cabinet Member for Finance & Treasury
Sarah Ireland, Director of Strategy, Communities & Commissioning
Charlotte Rohan, Head of SCC Place
Steve Dennington, Head of Spatial Planning
Tim Naylor, Head of Regeneration and Partnerships
Jacqueline Harris-Baker, Acting Borough Solicitor and Monitoring Officer

Apologies: Councillors Karen Jewitt and Jeet Bains, and Mr Muffaddal Kapasi

MINUTES - PART A

A41/16 Disclosure of Interest

There were no disclosures of interest.

A42/16 Urgent Business (if any)

There were no urgent items of business.

A43/16 Exempt Items

The Committee **noted** that there were no Part B agenda items.

A44/16 Boundary Review Consultation Response from Croydon Council

Councillor Simon Hall, Cabinet Member for Finance and Treasury, informed the Committee that the boundary review was an opportunity to address the electoral inequality found within the borough and which would increase with the anticipated rise in population. In drawing up the proposed submission from the Council officers had looked at the geography of the borough and the established communities. The Cabinet Member stated that he hoped Members would recognise the integrity of the work completed by officers.

Sarah Ireland, Director of Strategy, Communities & Commissioning, introduced the presentation on the response from Croydon Council to the Boundary Review consultation. The Director of Strategy, Communities & Commissioning stated that the Boundary Commission review was a Local Government review which had been requested by the council in response to concerns regarding the growth of the borough. Phase 1 had been submitted earlier in 2016 with a recommendation of 70 councillors across the borough. Phase 2 submissions would be due on 5 December 2016 with final recommendations to be laid before Parliament in June 2017.

The Committee were provided with a presentation which gave an overview of the proposed submission which built upon the foundation of the Local Plan and looked at the built and natural environment. Charlotte Rohan, Head of SCC Place, gave an outline of the proposed submission and the methodology used to form the boundaries and wards. A copy of the presentation can be found published on the website.

The Vice-Chair thanked officers for their work on developing the warding proposals that were to be considered.

Members noted that the 16 places used by planning had been considered as part of the process of forming the ward boundaries, and stated that they would be interested to see the planning places mapped onto the warding proposal. The Director of Strategy, Communities & Commissioning confirmed that the mapping could be completed ahead of submission and would be circulated to Members for their information.

In response to Member questions officers informed the Committee that the ward names were the proposed names for the re-configuration of wards, however it was likely that other submissions would propose alternative titles. During the consultation stage in 2017 there would be an opportunity for communities to express their views on the recommendations from the Boundary Commission, including the names of wards.

Members noted that while the proposed ward boundaries generally followed natural boundaries and green spaces there were a few open spaces, such as in Thornton Heath, where the open space was split between two wards. The Head of SCC Place stated that consideration had been given to the usage and interest of particular areas by residents, and that was why some open spaces were split across wards.

Some Members noted that there had previously been some confusion with residents as to which ward they resided in and the proposed boundaries would clarify which ward they lived in. Furthermore, it was felt by some councillors there would be a greater connection to the district centres with proposed boundaries.

Some Members requested clarity with regards to the wording of

recommendation 1.2 of the report and the reason the Committee were not approving the final wording of the submission, in particular due to the political sensitivity of the report. Officers stated that the proposed warding would not change, however the commentary which accompanied the submission would be finalised following the meeting. The final submission would be circulated to Members.

The Cabinet Member for Finance and Treasury further stated that the boundaries proposed in the report would not be changed prior to submission and that the 16 wards would remain the same. The recommendation was in regards to the final narrative to be agreed by the Executive Director of Resources in consultation with the Chair of the Committee.

The Acting Borough Solicitor and Monitoring Officer informed the Committee that the decision was not an executive decision and had been delegated by Council. It was stated that the recommendation was appropriate with regards to the delegation from Council.

Councillor Cummings noted that process had been followed, however stated that the Minority Group had not been consulted on the proposed warding patterns and their knowledge of the local area had not been taken into account. The Opposition noted there was an opportunity to make their own submission.

RESOLVED: That

1. The Council's ward pattern for 2022, as set out at in the Appendix of the report, be agreed under the delegation given by the Council meeting on 17 October 2016; and
2. The authority be delegated to the Executive Director of Resources, in consultation with the Chair of the General Purposes and Audit Committee, for the final warding submission to the Local Government Boundary Commission for England based upon the warding pattern set out in the Appendix of the report.

For (6): Councillors Kathy Bee, Sherwan Chowdhury, Pat Clouder, Patricia Hay-Justice, Humayun Kabir and Joy Prince.

Against (4): Councillors Jan Buttinger, Jason Cummings, Steve Hollands and Mike Fisher

A45/16

[The following motion is to be moved and seconded as the "camera resolution" where it is proposed to move into part B of a meeting]

The Chair informed the Committee that there was no business to be conducted in Part B of the agenda, in accordance with the Council's openness and transparency agenda.

MINUTES - PART B

None

The meeting ended at 19.17pm.

General Purposes and Audit Committee

**Meeting held on Wednesday 7 December 2016 at 6:30pm in Council Chamber,
Town Hall, Katharine Street, Croydon**

MINUTES - PART A

Present: Councillor Karen Jewitt (Chair)
Councillor Kathy Bee (Vice Chair)
Councillors Jan Buttinger, Sherwan Chowdhury, Jason Cummings,
Mike Fisher, Patricia Hay-Justice, and Joy Prince

Mr Muffaddal Kapasi and Mr Nero Ughwujabo

Also present: Councillor Yvette Hopley
Councillor Simon Hall, Cabinet Member for Finance & Treasury
Nigel Cook, Head of Pensions and Treasury
Malcolm Davies, Head of Risk & Corporate Programme Office
Chris Long and Keyasha Pillay, Grant Thornton, External Auditors
Simon Maddocks, Head of Governance
Barbara Peacock, Executive Director - People
Lisa Taylor, Assistant Director of Finance and Deputy S.151 Officer

Absent: Councillors Jeet Bains and Humayun Kabir

MINUTES - PART A

A46/16 Minutes of the General Purposes and Audit Committee

RESOLVED: That the Minutes of the meeting held on 14 September 2016 be signed by the Chair as a correct record.

A47/16 Minutes of the Mayoralty and Honorary Freedom Sub-Committee

The Committee queried why one set of minutes was from 2015 and noted that no Members of the General Purposes and Audit Committee attended the meetings of the Mayoralty and Honorary Freedom Sub-Committee.

RESOLVED: That the Minutes of the meetings held on 13 July 2015 and 7 October 2016 be held to the next meeting of the Mayoralty and Honorary Freedom Sub-Committee.

A48/16 Disclosure of Interest

There were no disclosures of interest.

A49/16 Urgent Business (if any)

There were no urgent items of business.

A50/16 Exempt Items

The Committee **noted** that there were no Part B agenda items.

A51/16 Presentation by the People Department

Barbara Peacock provided the Committee with a presentation on the red risks within the People Department which can be found at item 7 of the agenda.

Following the presentation the Committee queried where the insight and intelligence was coming from. The Executive Director – People informed the Committee that data came from across the council which showed the One Team approach the authority aspired to.

The Executive Director – People informed the Committee that considerable lobbying and influencing was taking place nationally regarding the Dedicated Schools Grant. The Local Government Association had been lobbying heavily and released a number of papers which reiterated the important role local authorities had in education. The Executive Director – People informed the Committee that the new Secretary of State may have a new approach to the role of schools and the local authority.

The Cabinet Member for Finance and Treasury informed the Committee that £20 million in grants towards unaccompanied asylum seekers had been lost in 2015/16 and 2016/17. Furthermore there had been an attempt to reduce the daily rate which would have led to a loss of £4 million to the council, however after intense lobbying the plan had been reversed. The Cabinet Member noted that the grant provided by the government did not cover the indirect costs associated with unaccompanied asylum seekers, such as school places, in house foster care places being taken and the further responsibilities once the person is over 18 years of age. The council was working on calculating the indirect costs, which was estimated to be around £3-5 million per year which the council was covering. The Cabinet Member confirmed the council would continue to lobby government to maintain the grant.

The Executive Director – People noted that there was an opportunity for the council to put in a significant bid for the Controlling Migration Fund, for which there was an expectation from the Home Office that the council would do.

The Committee suggested that the council continued to work with the local MPs to assist in the lobbying for the continuation of the grant for unaccompanied asylum seekers. Members confirmed that it

remained a cross-party concern.

Members noted that Croydon had a higher proportion of care homes with non-Croydon residents in placements which after a period of time was paid for by Croydon council. The Executive Director – People stated there were a number of detailed arrangements with regards to placements of non-Croydon residents. It was noted that the burden was not so much on the authority who paid for the placement, rather on the health economy as the care home resident would likely use health services within the borough.

The Committee were informed that the figure stated within the presentation of £3,952.40 for 410 days of accommodation was incorrect.

Members noted that it was difficult to judge the performance of departments and the associated risks when councillors were not closely aligned to the departments. Councillors queried whether the issue within the People Directorate was with inaccurate budgeting of the demand pressures, or whether the budgeting pressures were due to in year changes.

In response, the Executive Director – People stated that it was a challenge for a committee with an audit function to review the risks while a committee with an overview and scrutiny function looked more in depth at the concerns. It was suggested that it was for councillors to decide how best to hold officers to account.

The Executive Director – People noted that it was difficult to judge demand, however it was important to be proportionate in allocating budgets and officers would continue to attempt to give a realistic view. Officers would continue to work hard to provide accurate projections of demand, however there were a number of challenges including the market, increased costs being charged by providers, and the retention of social workers. In the People directorate there were a number of statutory responsibilities and it was important that the service delivered for residents of Croydon.

Members noted that there were a number of challenges for officers in the People departments, however Outcomes Based Commissioning (OBC) was within the council's control. The Committee queried whether there had been difficulties in agreeing the risk share model. Furthermore concerns were raised that better funded authorities may be able to pay more for the delivery of services.

In response to Member questions the Executive Director – People noted that due to Croydon council's commitment to paying the London Living Wage it would be paying more than other authorities. In relation to OBC and the risk sharing, there was an ongoing discussion that would continue for a few months. There was a sharing of the risk, on how they would manage if any budget is overspending, but there was also a sharing of the reward if a budget was making a saving. The key to ensuring the success of OBC was

to have fewer people in acute care and more being cared for in the community. The authority would be commissioning for outcomes and the money would follow to ensure the right results for the residents of Croydon. It was stated that OBC was a red risk due to being in a transition phase, not because the model was wrong. There were a number of sophisticated models which would assist in calculating the figures involved, however the processes were not yet agreed which was an audit risk.

The Cabinet Member for Finance and Treasury stated that the quality of life and number of times people were being readmitted had been reviewed, and it was important to deliver a better quality of life for the people of Croydon. It was noted that it was critical for the health economy that OBC happened, as while the council spent £40 million a year on old people, the NHS spent over £100 million.

Concerns were raised regarding the risks and how the liabilities would be dealt with once the OBC agreements had been signed. In particular, it was noted that Croydon University Hospital was in special measures and the CEO of Age UK was leaving the role, and a number of the systems did not seem to be in place.

The Executive Director – People noted that the work around the sharing of liabilities given the different governance arrangements of the organisations involved was being actively worked upon. The report to Cabinet in December 2016 would recommend 1 year +9 years which recognised that year one would be used to work out the details and the transition required. It was stated that not all risks would need to be signed off by the end of December 2016 and it was confirmed that while the CCG and hospital were in special measures OBC would not carry any debt.

The Cabinet Member for Finance and Treasury noted that the reason for the recommendation for a 1 +9 year agreement was that it had been recognised that there were concerns.

The Executive Director – People stated in response to concerns that partners were leaving organisations, that when people left organisations it was often an opportunity to bring a new perspective and could strengthen partnerships.

The Committee noted that the council procured some temporary accommodation outside the borough and queried where residents were being placed and at what cost. The Executive Director – People stated that placements had not yet been procured but a number of locations were being considered for those residents who would welcome moving outside of Croydon. It was noted that it was important to take into consideration people's aspirations.

The Chair noted she had help a resident relocate to East Grinstead for which the family was very happy as they had a larger home and were near a local school. The Committee stated it was important to relocate only if that was the customers wish, not to just decrease the

housing list.

In response to Member questions the Executive Director – People stated that there was a strong team working closely on reducing the reliance on commercial B&Bs as urgent accommodation. Two directors were working closely to influence across London to shape the policy offers and were reviewing how to increase the volume of good quality temporary accommodation, such as using brownfield sites. The Cabinet Member further noted that events were being held with those in temporary accommodation and council tenants to review how to meet people's aspirations. It was stated that every option was being considered.

In response to Member questions the Executive Director – People stated that the government recognised that there was inequity in school funding across the country as funding was per pupil and costs of educating a student differed across the country. The government had looked at reviewing the funding, however it had stalled due to the lobbying of organisations and a desire to not destabilise the education system.

The Cabinet Member informed the Committee that there had been cross party London meetings on the issue as previous proposals had amounted to every London borough seeing a drop in funding. Proposals had shifted money from urban areas to rural areas.

The Chair thanked the Executive Director – People for attending the meeting and answering member questions.

RESOLVED: To note the presentation.

Councillor Sherwan Chowdhury arrived at 6.45pm.

Councillor Mike Fisher left the meeting at 8pm.

A52/16

External Auditors Annual Audit Letter 2015/16

Chris Long, Grant Thornton, presented the Annual Audit Letter for 2015/16 to the Committee and noted two updates since the publication of the letter. It was noted that the certification work on housing benefits had been completed and the certificate would be provided shortly.

It was further noted that Highways Network Asset work had been delayed nationally for all authorities and so the external auditors were no longer anticipating an impact.

RESOLVED: To note the Annual Audit Letter for 2015/16.

A53/16

Anti-Fraud Report 1 April – 30 September 2016

Simon Maddocks, Head of Governance, introduced the anti-fraud report for the period 1 April to 30 September 2016 and informed the Committee that nearly £849,000 of savings had been identified due to the work of the team.

The anti-fraud work was slightly ahead of where it was projected to be with 11 properties returned to use and four Right to Buy applications stopped, with around £455,000 of savings. Furthermore, all prosecutions had been successful.

The Committee queried why a Right to Buy application would be cancelled and were informed that there were a number of reasons, such as money laundering and people not having the right to be in the property in the first place.

Members queried the process of fraud investigators working in other boroughs and were informed that Croydon charged a day rate and the authority benefitted from the proceeds of the work carried out.

The Head of Governance informed the Committee that intelligence was gathered from members of the public and officers across the council. In addition, the council took part in national programmes and would be piloting the London Fraud Hub which would involve data matching. The Committee would receive more information on the London Fraud Hub once it was running.

Following Member questions the Head of Governance stated that it had been difficult to make comparison to other authorities as each locality had its own challenges, however the London Fraud Hub would assist in setting up comparatives with other London boroughs. A review had been requested, which would be undertaken by Mazars as the service wanted to ensure it was not missing any opportunities.

The Chair stated that she and the Vice-Chair had met with Mazars and they were informed that Croydon's Anti-Fraud team was one of the best in the country.

RESOLVED: That the Anti-fraud activity of the Corporate Anti-Fraud team for the period 1 April – 30 September 2016 be noted.

A54/16

Internal Audit Update Report April to October 2016

Simon Maddocks, Head of Governance, presented the internal audit update report for April to October 2016 and informed Members that as the report covered until end of October 2016 there were not enough finalised reports to give an overall assurance level, however of those completed all but one had been given a full or substantial assurance level.

The Head of Governance noted that the status of follow-up audits

was not at the level it should be, however improvements were being made.

The Committee noted that there was an outstanding priority 1 recommendation from 2014 and queried why this had not been actioned. In response the Head of Governance stated that officers tried to maintain pressure of services to action recommendations. The Committee suggested that if priority 1 recommendations continued to remain outstanding for over 12 months officers were requested to attend a future meeting to explain the delay.

Members noted that direct payments was only 20% and the Head of Governance informed the Committee that there had been a change in manager in the service who had not been aware of the issue. Officers had been assured that the issue would be addressed.

In response to Member questions the Head of Governance explained that how officers followed-up risks depended on the level of the risk. Priority 1 recommendations were followed-up within one month and then on a regular basis. If the issue was a priority 2 then it would be followed-up around every three months. Furthermore, the Committee were informed that for priority 1 recommendations the issue would be retested to ensure the recommendation had been addressed, whereas for a priority 2 recommendation officers may request for evidence only.

The Committee noted a priority 1 recommendation remained outstanding on the Schools Building Programme which would have serious consequences if not dealt with appropriately. The Head of Governance confirmed this would be looked into.

RESOLVED: That

1. The Internal Audit Report for April 2016 to October 2016 be noted; and
2. Services be invited to future meetings to discuss outstanding audit recommendations.

A55/16

Corporate Risk Register 2016/17

Malcolm Davies, Head of Risk & Corporate Programme Office, presented the report and informed the Committee three risks had been escalated, as outlined within the report.

Members noted that it appeared that there were a number of optimistic future risk ratings as many risk rating were decreasing. In response the Head of Risk & Corporate Programme Officer stated that officers evaluated risks for the forthcoming 12 months and due to the strong controls in place it was considered the ratings would drop.

RESOLVED: That the contents of the corporate risk register as at

December 2016 be noted.

A56/16 Treasury Mid-Year Review

Nigel Cook, Head of Pensions and Treasury, introduced the Treasury Mid-Year Review report.

Members noted that the results that had been produced suggested that the authority was doing a good job in managing the figures.

Resolved: That

1. The report be noted; and
2. The continued implementation of the Council's Treasury Strategy Statement, Annual Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2016/17 by the Executive Director of Resources (Section 151 Officer) be endorsed.

A57/16 Council Meeting Dates 2017/18

Lisa Taylor, Assistant Director of Finance, introduced the report to the Committee noting that the proposed calendar of meetings had been consulted upon with both Groups.

Members noted that the date for the Annual Council meeting in May 2018 was different in the report to the one in the appendix. The Assistant Director of Finance confirmed that this would be rectified and the calendar recirculated.

The Committee queried who had been consulted and were informed by the Cabinet Member for Finance and Treasury that the Leaders of both Groups and Whips had been consulted

Resolved: That

1. The schedule of Full Council meeting dates for 2017/18 be approved on behalf of the Council with the correction of the Annual Council meeting taking place on 14 May 2018; and
2. The schedule of Cabinet meeting dates for 2017/18 be approved on behalf of the Council.

A58/16 [The following motion is to be moved and seconded as the "camera resolution" where it is proposed to move into part B of a meeting]

The Chair informed the Committee that there was no business to be conducted in Part B of the agenda, in accordance with the Council's openness and transparency agenda.

MINUTES - PART B

None

The meeting ended at 8.28pm.

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Grant Thornton

An instinct for growth™

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22 February 2017

Dear Richard

Certification work for the London Borough of Croydon for year ended 31 March 2016

We are required to certify the Housing Benefit subsidy claim submitted by the London Borough of Croydon. This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm your entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified your Housing Benefit subsidy claim for the financial year 2015/16. This comprised subsidy claimed of £258.4 million. Further details are set out in Appendix A.

The indicative fee for 2015/16 was based on the final 2013/14 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by the Audit Commission for 2015/16 was £24,894 and we have not proposed any adjustments to the scale fee. This is set out in more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£258,421,441	No	Nil	Yes	<p>The certification work identified three outstanding errors in the claim that could not be quantified even following additional testing. The claim was qualified on this basis. The errors identified were in respect of data input issues relating to claimant partners, earned income and overpayment classification. The claim was also qualified due to minor issues with in-year reconciliation cells not balancing (all less than £1,000 difference).</p> <p>The overall level of issues identified is broadly consistent with previous years. An exceptional issue was identified in 2014/15 related to manual adjustments, which has been addressed in 2015/16.</p>

Appendix B: Fees for 2015/16 certification work

Claim or return	2013/14 fee (£)	2015/16 indicative fee (£)	2015/16 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	33,192	24,894	24,894	0	The fee has been reduced by 25% from 2013/14. No fee variation was required from the indicative fee as error rates and work required were broadly in line with 2013/14 certification.
Total	33,192	24,894	24,894	0	

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The Audit Plan for the London Borough of Croydon

Year ended 31 March 2017

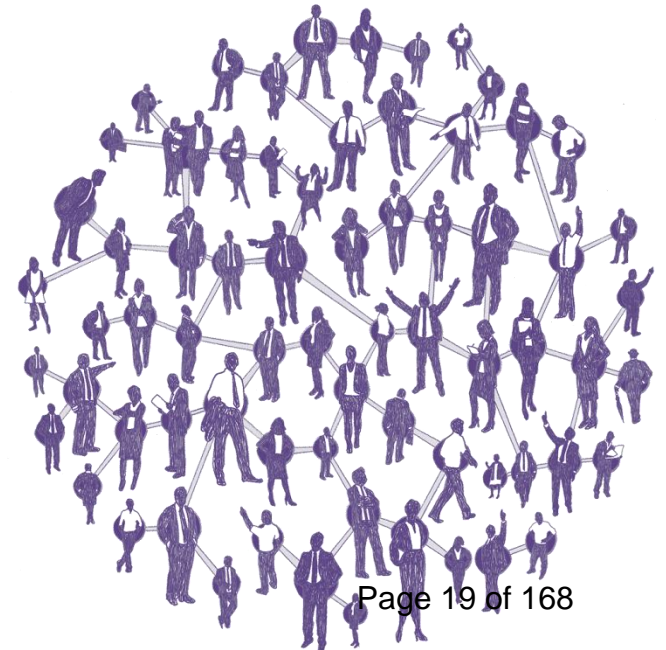
March 2017

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London Borough of Croydon
Bernard Weatherill House
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March 2017

Dear Members of the General Purposes and Audit Committee

Audit Plan for the London Borough of Croydon for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in your case, the General Purposes and Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of you and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on your financial statements
- satisfy ourselves that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect you or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Paul Grady
Engagement Lead

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Chartered Accountants

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Understanding your business and key developments

Developments

Highways network asset (HNA)

On the 14 November 2016, CIPFA/LASAAC announced a deferral of measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements for 2016/17. This deferral is due to delays in obtaining updated central rates for valuations.

CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18. It currently anticipates that the 2017/18 Code will be on the same basis as planned for 2016/17, i.e. not requiring restatement of preceding year information.

Integration with health and other sectors

Wider transfers of responsibility for public health to local government, and more specifically Better Care Fund (BCF) plans and the associated pooled budgets have been operational since 2014.

You continue to work collaboratively with Croydon CCG and providers to deliver integration and in developing the South West London Sustainability and Transformation Plans (STPs).

You are working with the CCG on an Outcomes Based Commissioning project for over 65's, seeking to understand the outcomes the people of Croydon are seeking from the system as a whole.

Key challenges

Autumn Statement and Finance Settlement

The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities.

The Local Government Finance Settlement for 2017/18 was announced on 15 December 2016. There were changes to the New Homes Bonus that have adversely affected you. This has been partially offset by a one off Social Care Support Grant, but reduces your overall funding by £1.9m.

The settlement also increased the Social Care Precept maximum amount to 3%, to help fund the ongoing pressures in this area.

Budget position and medium term financial plans

Your budget position for 2016/17 is forecasting an overspend of around £0.7m. The underlying service-related overspend is over £10m. This is primarily driven by demand led pressures in Adults and Children's Social Care.

Your medium term financial plans identify budget gaps of £60m to 2019/20, which you plan to close through council tax increases, council tax base increases and savings options..

You plan to achieve substantial savings through a range of targeted programmes covering areas such as health and social care integration, growth, contract management and your commercial approach.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require you to bring forward the approval and audit of financial statements to 31 July by the 2017/18 financial year.

Achieving the earlier deadlines will require an element of redesign of some of your closedown processes, arrangements and internal business processes.

You are currently working to deliver early close a year early in 2016/17 and have taken steps to streamline your processes and carry out work earlier in the year.

Our response

- We will discuss with you your progress in implementing the HNA requirements, highlighting any areas of good practice or concern which we have identified.
- We will continue to work with you to deliver early close, and we aim to complete all our substantive audit work on your financial statements by the end of July 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code.
- We will review your progress in managing your financial position and progress with the integration of health and social care, as part of our work in reaching our VFM conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops. **Page 22 of 168**

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of you. In line with previous years, we have calculated financial statements materiality based on a proportion of your gross revenue expenditure. For purposes of planning the audit **we have determined overall materiality to be £22,349k (being 1.95% of gross revenue expenditure in 2015/16)**. In the previous year, we determined materiality to be £22,505k (being 1.95% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. **We have defined the amount below which misstatements would be clearly trivial to be £1,000k.**

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are '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'. We have not identified any areas requiring a lower level of materiality.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including yourselves, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for you.</p>
The expenditure cycle includes fraudulent transactions	<p>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.</p>	<p>We considered the expenditure cycle risk and do not consider it to require additional audit procedures. The lack of specific financial performance targets which you are required to meet means there is limited incentive for fraudulent manipulation. Your culture means that such manipulation would be seen as unacceptable.</p> <p>The nature of expenditure streams also means that material expenditure recognition fraud would be difficult to perpetrate and conceal. Our normal substantive procedures, including the work done in relation to the risk of management override of controls, operating expenses and employee remuneration adequately address the risk of fraud through provisions and accruals.</p>
Management override of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
Valuation of property, plant and equipment	You revalue your assets on a rolling basis. The Code requires that you ensure the carrying value at the balance sheet date is not materially different from current value. The valuation techniques applied by your valuation experts represents a significant estimate in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of the competence, expertise and objectivity of management experts used • Testing of revaluation movements made during the year to ensure they are consistent with underlying valuer information and have input correctly into your asset register • Review of your processes and assumptions for the calculation of the estimate • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions • Evaluation of 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.
Valuation of pension fund net liability	Your pension fund asset and liability as reflected in the balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Creditors related to core activities understated or not recorded in the correct period (Operating expenses understated)	<p>Work planned:</p> <ul style="list-style-type: none"> • Identification of controls and walkthrough of operating expenses system • Unrecorded liabilities testing to assess whether transactions are recorded in the correct period • Testing of the year end reconciliation of operating expenditure recorded in the general ledger to the subsidiary system
Employee remuneration	Employee remuneration and benefit obligations and expenses understated (Remuneration expenses not correct)	<p>Work planned:</p> <ul style="list-style-type: none"> • Identification of controls and walkthrough of employee remuneration system • Substantive procedures to confirm the completeness of payroll transactions • Testing of the year end reconciliation of payroll expenditure recorded in the general ledger to subsidiary system

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Other risks	Description of risk	Audit procedures
<p>Changes to the presentation of local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will document and evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with your internal reporting structure. • We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.
<p>Financial statement level risk: First year accounting and consolidation of Brick by Brick Croydon Ltd (if material)</p>	<p>This is the first year that you has prepared consolidated accounts to include Brick by Brick, and it is expected to be a material subsidiary undertaking. There is the risk of inappropriate accounting treatment.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of outputs from statutory audit of Brick by Brick performed by Grant Thornton, or carry out alternative procedures for material consolidated transactions. • Review of accounting estimates, judgments and decisions made by management during the preparation of the financial statements. • Review of unusual significant transactions. • Review of disclosures against requirements.

Other risks identified (continued)

Going concern

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

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Intangible assets
- Heritage assets
- Assets held for sale
- Cash and cash equivalents
- Trade and other receivables
- Borrowings and other liabilities (long and short term)
- PFI schemes
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- New note disclosures
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes
- Funds held on trust note

Group audit scope and risk assessment

In accordance with ISA (UK and Ireland) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

You did not prepare Group Accounts in 2015/16 on the grounds of immateriality. You will revisit this consideration again in 2016/17, and have indicated that it is likely that Brick by Brick Croydon Ltd (which started trading in 2016/17) may form a material group relationship. We will consider your quantitative and qualitative judgements and associated disclosures within the financial statements.

Local authority schools are consolidated into the single entity accounts, we will review the consolidation process and test as part of our single entity approach

Components	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Brick by Brick Croydon Ltd	Yes (To be confirmed based on outturn)	Comprehensive	First year consolidation (if material)	<ul style="list-style-type: none"> Review of outputs from statutory audit of Brick by Brick performed by Grant Thornton, or carry out alternative procedures for material consolidated transactions. Review of accounting estimates, judgements and decisions made by management during the preparation of the consolidated financial statements. Review of unusual significant transactions. Review of disclosures against requirements.
CCURV LLP (50% joint venture)	No	Analytical	No specific risks identified.	<ul style="list-style-type: none"> Review of financial statements/other supporting information to confirm appropriateness of consolidated financial information or non-consolidation on the grounds of materiality. Review of disclosures and critical judgements for non-consolidation. Review the accounting for Croydon Care Solutions Ltd as services are brought back in-house and company is closed.
Croydon Care Solutions Ltd	No	Analytical		
Octavo Partnership (associate)	No	Analytical		

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Value for money

Background

The Code requires us to consider whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether you have proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of you, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including the Care Quality Commission and Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will prepare by the end of July 2017 and sign following the General Purposes and Audit Committee in September 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Budget position and medium term financial planning</p> <p>Your 2016/17 forecast outturn at the end of Quarter 3 was a £0.7m overspend, meaning you are broadly consistent with your planned budget outturn. However, the underlying service related overspend is forecast to be £10.3m. This has been primarily driven by continued demand led pressures in Adult Social Care and Children's Social Care, with offsetting underspends within Non-Departmental items such as additional grant and capital charge reductions.</p> <p>Your medium term financial planning identifies significant budget gaps over the coming years, totalling £60.5m from 2017/18 to 2019/20, which are planned to be closed by savings and council tax growth.</p> <p>You have set a balance budget for 2017/18, incorporating over £16m of growth, primarily focussed on resolving ongoing budget pressures in the People department. However, this will also require the delivery of £19.5m of savings across the organisation. You have also balanced the budget position to 2019/20, with over £39m of savings schemes identified across a number of key headings such as commissioning/contract management, demand management, prevention and early intervention, integration of Health and Social Care, growth, commercial approach and digital enabling.</p> <p>A balanced budget forecast to 2019/20 is an impressive achievement and the results of your work to identify savings in the medium term and the growth you are pursuing which will increase your council tax base. However, the savings targets remain challenging and will require substantial oversight and review, and must be underpinned by robust assumptions. Failure to deliver on your plans presents a serious risk to your overall financial health.</p>	<p>This links to your arrangements over planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions, as well as understanding and using appropriate cost performance information to support informed decision making and performance management.</p>	<p>We will review your arrangements in setting and controlling the budget position.</p> <p>We will review your processes to control and challenge budget overspends where they materialise.</p> <p>We will review the adequacy of your underlying budget assumptions and your plans to address the budget gaps to 2019/20.</p>
<p>Health & Social Care Integration</p> <p>You are seeking to deliver wide ranging changes and greater integration to ensure the financial sustainability of adult health and social care services. Working with partners, including Croydon CCG, local NHS providers and other wider organisations, there are potentially conflicting priorities. The project is complex and high profile, but there are significant benefits to improved service delivery and financial savings.</p>	<p>This links to your arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.</p>	<p>We will review your progress to date in implementing the planned integration and consider your arrangements to monitor/manage risks and ensure benefits from the project are realised.</p>

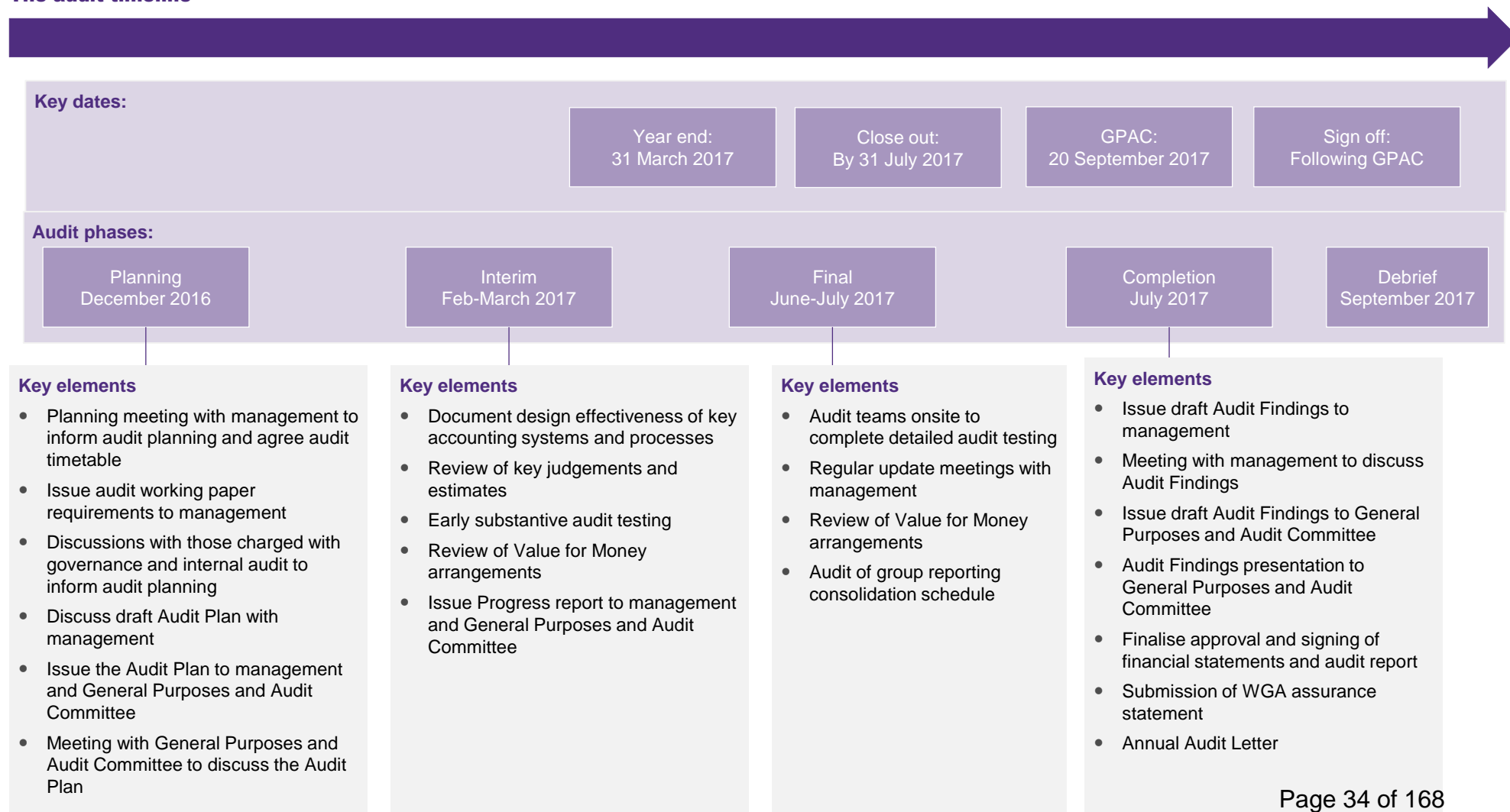
Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of you.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to you, copied to the Secretary of State
- We certify completion of our audit.

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Council audit	172,860
Audit of Brick by Brick Croydon Ltd	TBC
PSAA Grant Certification	25,755
Total audit fees (excluding VAT)	TBC

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and you and your activities, have not changed significantly
- You will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes, and identifying potential risks, opportunities and savings
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Constructive feedback on your people, your processes and your business plan
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Internal benchmarking of key controls including IT systems
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team
- Regular General Purposes and Audit Committee updates

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to you. The following audit related and non-audit services were identified for 2016/17:

Fees for other services

Service	Fees £	Planned outputs
Non-audit related		
Brick by Brick Croydon Ltd – accounts preparation service*	3,000 (estimated)	We will provide accounts preparation services for Brick by Brick, which will be completed once the financial information is available.
Brick by Brick Croydon Ltd – tax compliance services*	5,000 (estimated)	We will provide tax compliance services for Brick by Brick, which will be completed once the financial information is available.
CFO Insights (annual charge)	10,000	We provide the CFO Insights service under a 3 year contract starting from 2016/17.
Financial Resilience Capacity Building Programme 2016	3,500	A series of workshops for finance officers to develop by learning new leadership skills, listen to guest speakers and network with their peers.

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with your policy on the allotment of non-audit work to your auditors.

* Additional services are subject to confirmation, following the requirements of NAO Auditor Guidance Note 01, published in December 2016.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to you.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as your independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers your key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is your responsibility to ensure that proper arrangements are in place for the conduct of your business, and that public money is safeguarded and properly accounted for. We have considered how you are fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component audit work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓



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The Audit Plan for the Croydon Pension Fund

Year ended 31 March 2017

22 March 2017

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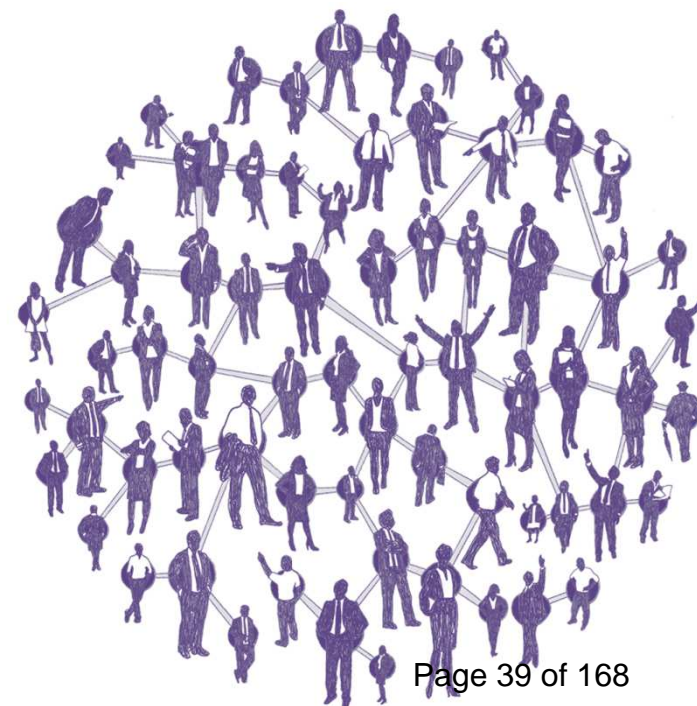
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The Croydon Pension Fund
Croydon Council
Bernard Weatherhill House
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CR0 1EA

22 March 2017

Dear Members of the General Purpose and Audit Committee

Grant Thornton UK LLP
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Audit Plan for the Croydon Pension Fund for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of the Croydon Pension Fund, the General Purpose and Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to give an opinion on the Fund's financial statements.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Elizabeth Jackson

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Developments

Investment Regulations

The new investment regulations came into force on 1 November 2016 and require administering authorities to publish new Investment Strategy Statements by 1st April 2017.

The statement must be in accordance with guidance issued by the Secretary of State and include a variety of information. This will include the authority's assessment of the suitability of particular investments and types of investments, the authority's approach to risk, including the ways in which risks are to be measured and managed and the authority's approach to pooling investments, including the use of collective investment vehicles and shared services.

These regulations also provide the Secretary of State with the power to intervene in the investment function of a fund if he/she is satisfied that the authority is failing to act in accordance with the regulations.

Triennial actuarial valuation of the fund

The results of the triennial review have now been reported. Members will need to consider the outcome of this review and the impact this will have on the fund in future investment decisions.

Key challenges

Pooling Governance

Arrangements for pooling of investments continue to develop, with DCLG expecting administering authorities to be transferring liquid assets from April 2018.

The structure and governance of these arrangements will need to be implemented before this date. These arrangements are likely to have a significant impact on how the investments are managed, who makes decisions and how investment activities are actioned and monitored.

Although much of this operational responsibility will move to the investment pool operator, it is key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

Pooling of investments

We will continue to discuss with officers their plans for asset pooling in the London CIV and the implications that this will have on both the investment policy and governance arrangements of the fund.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

The main change to the Code for Pension Funds is the extension of the fair value disclosures required under the Code from 2016/17.

The greatest impact is expected to be for those Funds holding directly owned property and/or shares and Level 3 investments. These are reflected in CIPFA's pension fund example accounts alongside further changes including an analysis of Investment Management expenses in line with CIPFA's Local Government Pension Scheme Management Costs guidance, a realignment of investment classifications, and an additional disclosure note covering remuneration of key management personnel which has been included in related party transactions.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. This will impact not only upon the production of the Fund accounts but also on earlier requests for information from employers within the Fund.

Our response

- We will discuss with you your progress in implementing the requirements of the new investment regulations, highlighting any areas of good practice or concern which we have identified.
- We will discuss your progress in implementing revised governance structures, and share our experiences gained nationally.
- We aim to complete all our substantive audit work of your financial statements by the end of July 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the changes in the 2016/17 Code.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Fund. In line with previous years, we have calculated financial statements materiality based on a proportion of net assets for the Fund. For purposes of planning the audit we have determined overall materiality to be £8,770k (being 1% of net assets). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £439,000.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are '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'. We have not identified any items where separate materiality levels are appropriate.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Croydon Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including the Croydon Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for the Croydon Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

Significant risk	Description	Audit procedures
Level 3 Investments – Valuation is incorrect	<p>Under ISA (UK and Ireland) 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very degree of judgement to reach an appropriate valuation at year end.</p>	<p>Further work planned:</p> <ul style="list-style-type: none"> • Updating our understanding of the processes and control in place to estimate the valuation of these assets. • For a sample of investments, test valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • To review the nature and basis of estimated values and consider what assurance management has over the year end valuation provided for these type of investments. • Review the competence, expertise and objectivity and objectivity of management experts used. • Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
<p>Investment purchases and sales</p> <p>AND</p> <p>Investment values – Level 2 investments</p>	<p>Investment activity not valid. Investment valuation not correct (Accuracy)</p> <p>AND</p> <p>Valuation is incorrect. (Valuation net)</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • We have undertaken a walkthrough of the controls in place over investments. <p>Further work planned:</p> <ul style="list-style-type: none"> • We will review the reconciliation between information provided by the fund managers, the custodian and the Fund's own records and seek explanations for any variances. • For unquoted investments we will critically assess the assumptions used in the valuation and check valuations to the latest audited financial statements of the respective investment fund. (Note that from the work performed and in line with knowledge of the client - they do not hold unquoted investments or expect to acquire from now until year end (31/03/17) and therefore not deemed a risk). • The existence of investments will be confirmed directly to relevant documentation. • We will test a sample of purchases and sales during the year back to detailed information provided by the fund managers. • We will document and confirm the operation of controls around investment activities. • We will complete a predictive analytical review for different types of investments.

Other risks identified (continued)

Reasonably possible risks	Description of risk	Audit procedures
Contributions	Recorded contributions not correct (Occurrence)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have undertaken a walkthrough of the controls in place over contributions. <p>Further work planned:</p> <ul style="list-style-type: none"> We will substantively test contribution deductions from the Administering Authority. We will also review contributions received with reference to changes in member body payrolls and numbers of contributing members to ensure that any unexpected trends are satisfactorily explained.
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have confirmed by walkthrough testing the existence of controls operated by the Fund to ensure that all benefits are correctly calculated and that the appropriate payments are generated and recorded. <p>Further work planned:</p> <ul style="list-style-type: none"> We will then select a sample of individual transfers, pensions in payment (new and existing), lump sum benefits and refunds and test them by reference to member files. We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year together with comparing pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained.
Member Data	Member data not correct (Rights and Obligations)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have performed walkthrough testing over the controls that are in place over member data. <p>Further work planned:</p> <ul style="list-style-type: none"> We will conduct controls testing of changes to member data made during the year to source documentation. We will perform a reconciliation of the member data as at year end to the accounts note.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Going concern

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

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Cash deposits
- Current assets
- Current liabilities
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

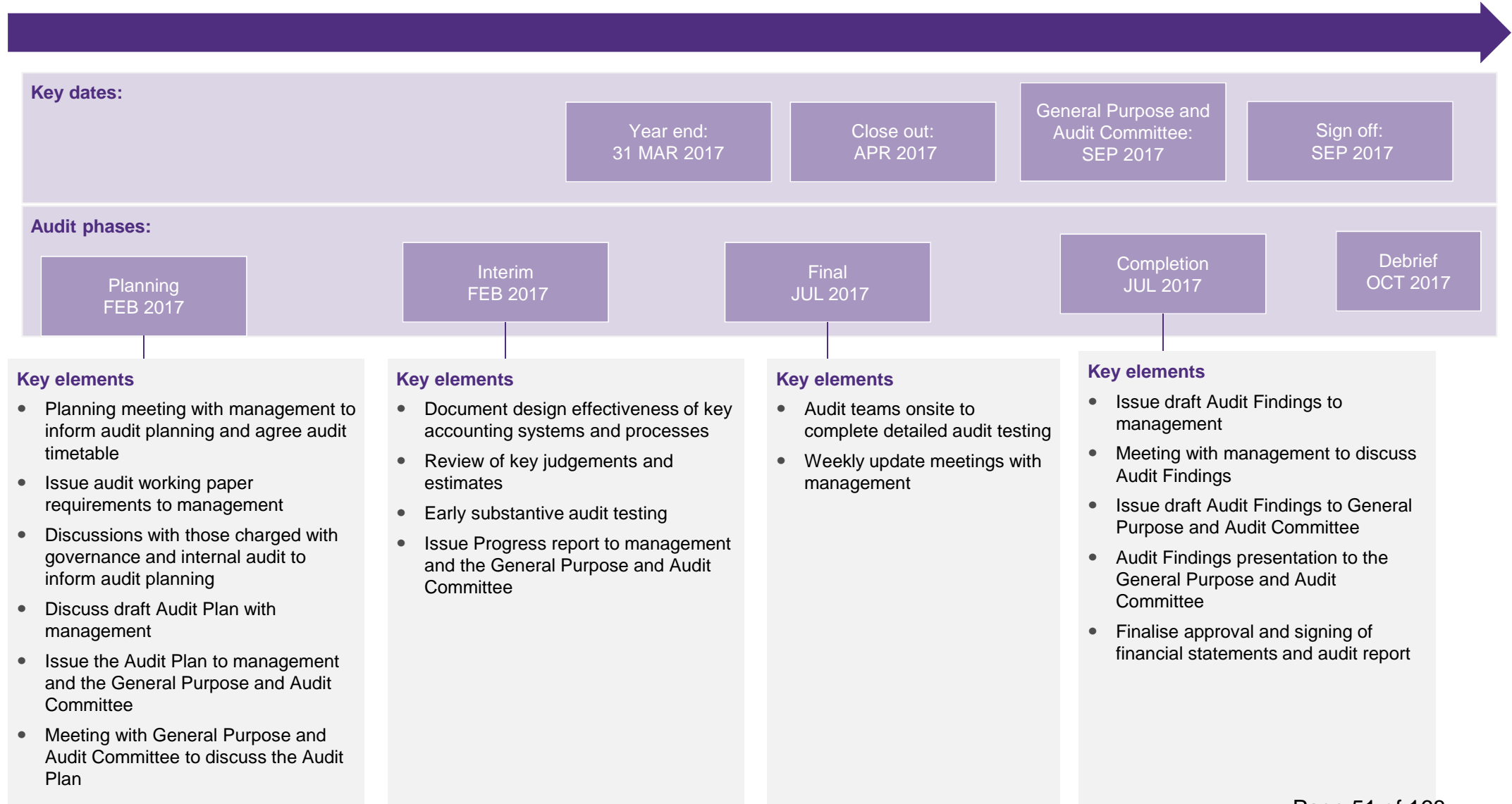
	Work performed	Conclusion
Internal audit	<p>We will complete a high level review of internal audit's overall arrangements.</p> <p>We will review internal audit's work on the Fund's key financial systems to date.</p>	Our work is planned in due course and we will report any findings in the Audit Findings Report.
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements
Review of information technology controls	Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also perform a follow up of the issues that were raised last year.	Our work is planned in due course and we will report any findings in the Audit Findings Report.

Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Fund in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Controls testing	<p>Our controls testing is planned for the final accounts visit, hence we will provide an update in due course.</p> <p>We will perform testing of the operating effectiveness of key controls on those information systems where we had identified a reasonably possible risk of material misstatement to gain assurance about this and to reduce the amount of substantive testing performed on the financial statements. We will test:</p> <ul style="list-style-type: none"> • Samples of starters and leavers in the year (that member data and contributions are accurate). 	Our controls testing is planned for the final accounts visit and we will report any findings in the Audit Findings Report.
Journal entry controls	We will review the Fund's journal entry policies and procedures as part of determining our journal entry testing strategy to identify any material weaknesses which are likely to adversely impact on the Fund's control environment or financial statements.	No issues have been noted from the work performed to date.

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Pension fund audit	21,000
Total audit fees (excluding VAT)	21,000

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Fund and its activities, have not changed significantly
- The Fund will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Fees for other services are detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes, and identifying potential risks, opportunities and savings
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team

Independence and non-audit services

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Croydon Pension Fund. The following audit related and non-audit services were identified for the Fund for 2016/17:

Fees for other services

Service	Fees £	Planned outputs
Audit related	0	
Non-audit related	0	

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Fund.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓



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For General Release

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 22 March 2017
AGENDA ITEM:	7
SUBJECT:	Internal Audit Update Report April 2016 to January 2017
LEAD OFFICER:	Simon Maddocks, Director of Governance
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT: Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services which, in turn helps the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.	
FINANCIAL IMPACT The Internal Audit contract for 2016/17 is a fixed price contract of £333,000 and appropriate provision has been made within the budget for 2016/17.	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the Internal Audit Report for April 2016 to January 2017 (Appendix 1).

2. EXECUTIVE SUMMARY

- 2.1 This report details the work completed by Internal Audit so far during 2016/17 and the progress made in implementing recommendations from audits completed in previous years.

3. DETAIL

- 3.1 The Internal Audit report (Appendix 1) includes the following:
- a list of all audits completed so far in 2016/17; and
 - lists of follow up audits completed and the percentage of priority one, and other audit recommendations implemented.
- 3.2 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the Full Council through the General Purposes & Audit Committee and the Chief Financial Officer (also known as the Section 151 Officer), who is currently the Executive Director of Resources. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.
- 3.3 Based on the 40 finalised internal audit reports published so far this year, an overall **Satisfactory Assurance** level can be given as 95% of reports finalised to date received Substantial or Full assurance.

4. FOLLOW-UP REVIEWS

- 4.1 When Internal Audit identifies risks, recommendations are made and agreed with service managers to mitigate these. The Council then needs to ensure that action is taken to implement audit recommendations. The Council's targets for audit recommendations implemented are 80% for all priority 2 and 3 recommendations and 90% for priority 1 recommendations. The performance in relation to the targets set for 2012/16 audits are shown Table 1.

Table 1: Implementation of Audit Recommendations

	Target	2012/13	2013/14	2014/15	2015/16
Implementation of priority one recommendations at follow-up	90%	100%	100%	100%	59%
Implementation of all recommendations at follow-up	80%	93%	95%	89%	70%

5. PROGRESS AGAINST THE AUDIT PLAN

- 5.1 By 31 October 2016 **81%** (82% last year) of the 2016/17 planned audit days had been delivered and **61%** (52% last year) of the draft audit reports due for the year had been issued. The contractor has given assurances that the necessary resources are available to deliver the internal audit plan in-year as usual.

6. PUBLICATION OF INTERNAL AUDIT REPORTS

- 6.1 Following a decision at the June 2015 meeting of this committee, all finalised

internal audit reports from the year 2015/16 onwards are published on the Council's public internet site.

7. CONSULTATION

- 7.1 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports and audit recommendations are sent for consideration by Departmental Management Teams (DMT). Details are circulated and discussed with Directors on a quarterly basis.

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 8.1 The fixed price for the Internal Audit Contract is £333,000 for 2016/17 and there is adequate provision within the budget. There are no additional financial considerations relating to this report
- 8.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes.

(Approved by: Zolfiqar Darr, Head of Finance, Resources)

9. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 9.1 The Solicitor to the Council comments that information provided in this report is necessary to demonstrate the Council's compliance with requirements imposed by Regulation 5 of the Local Government Accounts and Audit (England) Regulations 2015. The Council is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(Approved by: Jacqueline Harris-Baker, Acting Director of Law and Monitoring Officer)

10. HUMAN RESOURCES IMPACT

- 10.1 There are no immediate human resources issues arising from this report for LBC staff

(Approved by: Jason Singh, Head of HR)

11. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

- 11.1 When Internal Audit is developing the Annual Audit Plan or individual audit programmes the impacts of the issues above are considered depending on the

nature of the area of service being reviewed. Issues relating to these impacts would be reflected in the audit reports and recommendations.

CONTACT OFFICER: Simon Maddocks, Director of Governance

BACKGROUND DOCUMENTS: None

APPENDICES: Appendix 1 – Internal Audit report for the period
1 April 2016 to 31 January 2017



London Borough of Croydon

Internal Audit Report for the period

1 April 2016 to 31 January 2017

Status of Our Reports

This report ('Report') was prepared by Mazars Public Sector Internal Audit Limited at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, we have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law, Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility set out in Appendix 6 of this report for further information about responsibilities, limitations and confidentiality.

Internal Audit activity

1. During the first ten months of the 2016/17 financial year the following work has been delivered:

- 81% of the 2016/17 planned audit days have been delivered
- 104 planned audits (excluding ad hoc and fraud work) commenced, either by setting up the files, attending scope meetings or by performing the audits. This was made up of:-
 - 64 system audits commenced and/or were completed;
 - 30 probity audits commenced and/or were completed; and,
 - 10 computer audits commenced and/or were completed.

In addition:

- 19 new ad hoc or fraud investigations commenced and/or were completed.

Internal Audit Performance

2. To help ensure that the internal audit plan supported the Risk Management Framework and therefore the Council Assurance Framework, the 2016/17 internal audit plan was substantially informed by the risk registers. The 2016/17 internal audit plan was presented to the General Purposes and Audit Committee on 23 March 2016.
3. Work on the 2016/17 audit plan commenced in April 2016 and delivery is now well underway.
4. Table 1 details the performance for the 2016/17 audit plan against the Council's targets. At 31 January 2017 Internal Audit had delivered 81% of the planned audit days. While the year to date performance in terms of draft reports issued is slightly behind target, it should be recognised that this follows a similar pattern to previous years where 100% of the plan has been delivered in-year. Internal Audit is well placed to complete the Audit Plan by year end as required.

Table 1: Performance against targets

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
% of planned 2016-17 audit days delivered	100%	79%	81%	▲
Number of 2016-17 planned audit days delivered	1037	819	839	▲
% of 2016-17 planned draft reports issued	100%	65%	61%	▼
Number of 2016-17 planned draft reports issued	104	68	63	▼
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	85%	100%	▲
2016/17 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	50%	▼
2016/17 % of all recommendations implemented at the time of the follow up audit	80%	80%	92%	▲
2015/16 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	59%	▼
2015/16 % of priority all recommendations implemented at the time of the follow up audit	80%	80%	70%	▼

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
2014/15 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	100%	▲
2014/15 % of all recommendations implemented at the time of the follow up audit	80%	80%	89%	▲
2013/14 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	100%	▲
2013/14 % of all recommendations implemented at the time of the follow up audit	80%	80%	95%	▲
% of qualified staff engaged on audit	40%	40%	52%	▲

Audit Assurance

5. Internal Audit provides four levels of assurance as follows:

Full	The systems of internal control are sound and achieve all systems objectives and that all controls are being consistently applied.
Substantial	The systems of internal control are basically sound, there are weaknesses that put some of the systems objectives at risk and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	Weaknesses in the systems of internal control are such as to put the systems objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No	The system of internal control is generally weak leaving the system open to significant error or abuse and /or significant non-compliance with basic controls leaves the system open to error or abuse.

6. Table 3 lists the 2016/17 audits for which final reports were issued during the first ten months from 1 April to 31 January 2017. Details of the key issues arising from these reports are shown in Appendix 1.

Table 3: 2016/17 Final audit reports issued from 1 April to 31 January 2017

Audit Title	Risk Level	Assurance Level	Planned Year
Non-school audits			
Client Management - Octavo Partnership	High	Limited	2016/17
Disabled Facility Grants	High	Limited	2016/17
Council Tax	High	Substantial	2016/17
Empty Property Grants	High	Substantial	2016/17
Gifts and Hospitality (Officers and Members)	High	Substantial	2016/17
HMRC Compliance	High	Substantial	2016/17
Housing Benefits	High	Substantial	2016/17

Audit Title	Risk Level	Assurance Level	Planned Year
Housing Registration and Allocations	High	Substantial	2016/17
Housing Rents	High	Substantial	2016/17
Hyperion Application Review	High	Substantial	2016/17
Licensing Income	High	Substantial	2016/17
Main Accounting System	High	Substantial	2016/17
Payments to Schools	High	Substantial	2016/17
Payroll	High	Substantial	2016/17
Pension Fund Investments	High	Substantial	2016/17
Prevent Agenda	High	Substantial	2016/17
Selective Licensing – Inspections and Enforcement	High	Substantial	2016/17
Children 0-5 Public Health Responsibility	High	Full	2016/17
Fire Safety (Housing Stock)	High	Full	2016/17
School audits			
Christ Church CE Primary	Medium	Substantial	2016/17
Coulsdon CE Primary	Medium	Substantial	2016/17
Courtwood Primary	Medium	Substantial	2016/17
Forestdale Primary	Medium	Substantial	2016/17
Greenvale Primary	Medium	Substantial	2016/17
Kenley Primary	Medium	Substantial	2016/17
Kensington Avenue Primary	Medium	Substantial	2016/17
Keston Primary	Medium	Substantial	2016/17
Monks Orchard Primary	Medium	Substantial	2016/17
Park Hill Junior	Medium	Substantial	2016/17
Park Hill Infants	Medium	Substantial	2016/17
Ridgeway Primary	Medium	Substantial	2016/17
Smitham Primary	Medium	Substantial	2016/17
St Peter's Primary	Medium	Substantial	2016/17
Red Gates School	Medium	Substantial	2016/17
St Giles School	Medium	Substantial	2016/17
St Nicholas School	Medium	Substantial	2016/17
Beckmead School	Medium	Full	2016/17
Downsview Primary	Medium	Full	2016/17
Gresham Primary	Medium	Full	2016/17
St Johns CE Primary	Medium	Full	2016/17

Follow-up audits – effective implementation of recommendations

7. During 2016/17 in response to the Council's follow-up requirements, Internal Audit has continued following-up the status of the implementation of previous year audits from 2013/14, 2014/15 and 2015/16 audits.
8. Follow-up audits are undertaken to ensure that all the recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Council's target for audit recommendations implemented at the time of the follow-up audit is 80% for all priority 2 & 3 recommendations and 90% for priority 1 recommendations.

Performance Objective	Target	Performance				
		2011/12	2012/13	2013/14	2014/15	2015/16
Percentage of priority one recommendation implemented at the time of the follow up audit	90%	100%	100%	100%	100%	59%
Percentage of all recommendations implemented at the time of the follow up audit	80%	93%	93%	95%	89%	70%

The follow ups for 2011/12 and 2012/13 are now complete. The results of those for 2013/14, 2014/15 and 2015/16 audits as well as those for 2016/17 that have been followed up are included in Appendixes 2, 3, 4 and 5 respectively.

9. Appendix 2 shows the last remaining follow-up audit of the 2013/14 audits undertaken to date and the number of recommendations raised and implemented. 95% of the total recommendations were found to have been implemented and 100% of the priority 1 recommendations which have been followed up have been implemented.
10. Appendix 3 shows the follow-up audits of 2014/15 audits undertaken to date and the number of recommendations raised and implemented. 89% of the total recommendations were found to have been implemented and 100% of the priority 1 recommendations which have been followed up have been implemented.
11. Appendix 4 shows the follow-up audits of 2015/16 audits undertaken to date and the number of recommendations raised and implemented. 70% of the total recommendations were found to have been implemented and 59% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Contract Management and Governance of Croydon Care Solutions	Barbara Peacock	High	Limited	A recommendation was raised as a final and definitive pooled budget agreement with Croydon Clinical Commissioning Group or Croydon Health Services in respect of Croydon Equipment Solutions could not be provided and thus there is no evidence of this existing. The current pooled budget arrangement operating is not considered to be favourable to the Council.
Contract Management & Governance of Adult Social Care Providers	Barbara Peacock	High	Limited	A recommendation was raised ensure that individual placement agreements are agreed with service providers, that legacy placements are reviewed to ensure these are supported by an individual placement agreement and that the individual placement agreements reviewed to ensure that these appropriate. The response confirmed that the standard individual placement agreement had been reviewed and updated, but although a Placements Team,

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
				established in July 2016, had taken over the management of the issuing and obtaining signed copies of the individual placement agreements this process was still embedding.
Use of Pool Cars (Zipcar)	Richard Simpson	High	Limited	A recommendation was raised as whilst individual users have signed 'User Agreements', appropriate guidance, in particular for the enforcement of the scheme by their line managers was not in place. A recommendation was raised as some users had incurred four or more penalty charges (for non-usage, late return or to cover the administrative charge of fines) over the three-month period examined with no recovery action taken.
Employee Expenses (via One Oracle)	Richard Simpson	High	Limited	A recommendation was raised as 67% of personal expenditure transactions examined were not supported by receipts.
EMS Application	Richard Simpson	High	Limited	A recommendation was raised due to the absence of an effective disaster recovery plan for the EMS application.
Community Care Payments	Barbara Peacock	High	Limited	A recommendation was raised as commitments were being raised after the service provision start date, with 38% of those examined in excess of three weeks. A recommendation was raised as weekly payment runs for Domiciliary Care services were not being authorised before being exported to One Oracle for payment. (Going forward these issues will be followed up as part of the 2016/17 Community Care Payments audit)
ICT ~Service Delivery Framework	Richard Simpson	High	Limited	A recommendation was raised as it was identified that the development of an appropriate Business Impact Review (BIR) to assist in the design of both the IT Service Disaster Recovery Plan (DRP) and the associated Business Continuity Plan (BCP) are currently at an embryonic stage and no DRP or BCP solutions have been recently tested as effective.

12. Appendix 5 shows the 2016/17 follow-up audit undertaken to date and the number of recommendations raised and implemented. 92% of the total recommendations were found to have been implemented and 50% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendation is detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Disabled Facilities Grants	Barbara Peacock	High	Limited	A priority 1 recommendation was raised as although the works for each disabled facility grant is awarded through a mini-tender exercise, due to the value of the annual aggregated expenditure with some contractors, there is noncompliance with the Councils Tenders and Contracts regulations,

Appendix 1 - Key issues from 2016/17 finalised audits

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
Non School Audits			
Client Management - Octavo Partnership	High	Limited (Four Priority 1 and two Priority 2 recommendations)	<p>The service charges paid to Octavo were not in accordance with the fees set out in the contract and there was an inadequate audit trail showing how these were varied</p> <p>The responsibility for monitoring receipt of rental payments from Octavo and levying interest payments is unclear</p> <p>Monitoring of compliance with the Education Services specification is inconsistent and evidence of robust monitoring of KPIs could not be provided</p> <p>Minutes to the Strategic and Project Boards responsible for Octavo contract management were requested but could not be provided</p>
Disabled Facilities Grants	High	Limited (Two Priority 1, four Priority 2 and six Priority 3 recommendations)	<p>A priority 1 recommendation was raised as although the works for each disabled facility grant is awarded through a mini-tender exercise, due to the value of the annual aggregated expenditure with some contractors, there is noncompliance with the Councils Tenders and Contracts regulations.</p> <p>A priority 1 recommendation was raised as the Disabled Facilities Grants Statistics for 2015/16 highlighted that 4 of the 96 approved applications were approved after the statutory deadline of 6 months.</p>
Council Tax	High	Substantial (Two Priority 2 and one Priority 3 recommendation)	No priority 1 recommendations were raised.
Empty Property Grants	High	Substantial (Five Priority 2 and one Priority 3 recommendation)	No priority 1 recommendations were raised.
Gifts and Hospitality (Officers and Members)	High	Substantial Three Priority 2 and four Priority 3 recommendations)	No priority 1 recommendations were raised.
HMRC Compliance	High	Substantial (Five Priority 2 recommendations)	No priority 1 recommendations were raised.
Housing Benefits	High	Substantial (Two Priority 2 and two Priority 3 recommendations)	No priority 1 recommendations were raised.
Housing Registration and Allocations	High	Substantial (Eight Priority 2 recommendations)	No priority 1 recommendations were raised.
Housing Rents	High	Substantial (Five Priority 2 and two Priority 3 recommendations)	No priority 1 recommendations were raised.
Hyperion Application	High	Substantial (Two Priority 2 and seven Priority 3 recommendations)	No priority 1 recommendations were raised.
Licensing Income	High	Substantial	No priority 1 recommendations were raised.

		(One Priority 2 and one Priority 3 recommendation)	
Main Accounting System	High	Substantial (Three priority 2 and three Priority 3 recommendations)	No priority 1 recommendations were raised.
Payments to Schools	High	Substantial Two priority 2 and two Priority 3 recommendations)	No priority 1 recommendations were raised.
Payroll	High	Substantial (Two priority 2 and one Priority 3 recommendation)	No priority 1 recommendations were raised.
Pension Fund Investments	High	Substantial (One Priority 1, one Priority 2 and two Priority 3 recommendations)	One priority 1 recommendation was raised as the Pension Fund Investment Manager does not have the delegated authority to approve the purchase of goods/services, invoice payments or for the settlement of any account on behalf of the Council.
Prevent Agenda	High	Substantial (One Priority 2 recommendation)	No priority 1 recommendations were raised.
Selective Licensing – Inspections and Enforcement	High	Substantial (Four Priority 2 and one Priority 3 recommendation)	No priority 1 recommendations were raised.
Children 0-5 Public Health Responsibility	High	Full (No recommendations were raised)	No priority 1 recommendations were raised.
Fire Safety (Housing Stock)	High	Full (No recommendations were raised)	No priority 1 recommendations were raised.
Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
School Audits			
Christ Church CE Primary	Medium	Substantial (Three Priority 2 recommendations)	No priority 1 recommendations were raised
Coulsdon CE Primary	Medium	Substantial (One Priority 2 and one priority 3 recommendation)	No priority 1 recommendations were raised
Courtwood Primary	Medium	Substantial (One Priority 2 and one priority 3 recommendation)	No priority 1 recommendations were raised
Forestdale Primary	Medium	Substantial (Three Priority 2 recommendations)	No priority 1 recommendations were raised.
Greenvale Primary School	Medium	Substantial (Six Priority 2 recommendations)	No priority 1 recommendations were raised.
Kenley Primary	Medium	(Five Priority 2 and two Priority 3 recommendations)	No priority 1 recommendations were raised

Kensington Avenue Primary	Medium	Substantial (Six Priority 2 recommendations)	No priority 1 recommendations were raised
Keston Primary	Medium	Substantial (Thirteen Priority 2 recommendations)	No priority 1 recommendations were raised
Monks Orchard Primary	Medium	Substantial (Two Priority 2 recommendations)	No priority 1 recommendations were raised.
Park Hill Junior	Medium	Substantial (One Priority 2 recommendation)	No priority 1 recommendations were raised.
Park Hill Infants	Medium	Substantial (One Priority 2 recommendation)	No priority 1 recommendations were raised.
Ridgeway Primary	Medium	Substantial (Three Priority 2 recommendations)	No priority 1 recommendations were raised.
Smitham Primary	Medium	Substantial (Four Priority 2 and two Priority 3 recommendations)	No priority 1 recommendations were raised
St Peter's Primary	Medium	Substantial (Six Priority 2 and three Priority 3 recommendations)	No priority 1 recommendations were raised
Red Gates School	Medium	Substantial (Three Priority 2 and eight Priority 3 recommendations)	No priority 1 recommendations were raised
St Giles School	Medium	Substantial (Five Priority 2 and four Priority 3 recommendations)	No priority 1 recommendations were raised
St Nicholas School	Medium	Substantial (Two Priority 2 and four Priority 3 recommendations)	No priority 1 recommendations were raised
Beckmead School	Medium	Full (Four Priority 3 recommendations)	No priority 1 recommendations were raised.
Downsview Primary	Medium	Full (No recommendations)	No priority 1 recommendations were raised.
Gresham Primary	Medium	Full (One Priority 3 recommendation)	No priority 1 recommendations were raised.
St Johns CE Primary	Medium	Full (Two Priority 3 recommendations)	No priority 1 recommendations were raised.

Appendix 2 - Follow-up of 2013/14 audits (with outstanding recommendations only)

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2013/14	Procurement – Strategy, Governance and Communication	Richard Simpson	High	Substantial (3 rd follow up in progress)	3	1	33%
Non School Audits Sub Total: Recommendations and implementation from audits that have had responses					165	162	98%
Non School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					25	25	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					359	318	89%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					30	30	100%
Recommendations and implementation from audits that have had responses					524	499	95%
Priority 1 Recommendations from audits that have had responses					55	55	100%

Appendix 3 - Follow-up of 2014/15 audits (with outstanding recommendations only)

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2014/15	Corporate and Departmental Asset Management	Richard Simpson	High	Limited (3 rd follow up in progress)	9	7	78%
2014/15	SEN Transport	Richard Simpson	High	Limited (2 nd follow up in progress)	2	0	0%
2014/15	Direct Payments	Barbara Peacock	High	Limited (3 rd follow up in progress)	5	3	60%
2014/15	Substance Misuse	Barbara Peacock	High	Limited (1 st follow up in progress)	7	-	-
2014/15	SharePoint roll out and usage	Richard Simpson	High	Substantial (1 st follow up in progress)	7	-	-
2014/15	Programme and Projects Management – New Addington Phase 2	Shifa Mustafa	High	Substantial (2 nd follow up in progress)	2	1	50%
2014/15	Financial Management of the Coroner's Service	Richard Simpson	High	Substantial (2 nd follow up in progress)	5	2	40%
2014/15	Agency Use and the New Recruitment Drive	Barbara Peacock	High	Substantial (2 nd follow up in progress)	3	1	33%
2014/15	Contract Management Framework	Richard Simpson	High	Substantial (2 nd follow up in progress)	7	0	0%
2014/15	Express Electoral Registration	Richard Simpson	High	Substantial (2 nd follow up in progress)	5	3	60%
2014/15	AIS Application	Richard Simpson	High	Substantial (3 rd follow up in progress)	6	4	67%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					272	234	86%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					27	27	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					271	248	92%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					29	29	100%
Recommendations and implementation from audits that have had responses					543	482	89%
Priority 1 Recommendations from audits that have had responses					56	56	100%

Appendix 4 - Follow-up of 2015/16 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2015/16	Contract Management & Governance of Croydon Care Solutions	Barbara Peacock	High	No (2 nd follow up in progress)	9	8	89%
2015/16	Contract Management & Governance of Adult Social Care Providers	Barbara Peacock	High	Limited (1 st follow up completed)	6	4	66%
2015/16	Performance Monitoring Adult Social Care	Barbara Peacock	High	Limited (1 st follow up in progress)	9	-	-
2015/16	Community Care Payments	Barbara Peacock	High	Limited (follow up in progress with 2016/17 audit)	7	2	29%
2015/16	Food Flagship Initiative	Barbara Peacock	High	Limited (No further follow up planned)	9	8	89%
2015/16	Staff Car parking and Corresponding Allowances	Richard Simpson	High	Limited (No further follow up planned)	6	5	84%
2015/16	Use of Pool Cars (Zipcar)	Richard Simpson	High	Limited (3 rd follow up in progress)	4	1	25%
2015/16	Employee Expenses (via One Oracle)	Richard Simpson	High	Limited (2 nd follow up in progress)	6	1	17%
2015/16	Adoption	Barbara Peacock	High	Limited (1 st follow up in progress)	4	-	-
2015/16	Fostering	Barbara Peacock	High	Limited (2 nd follow up in progress)	5	1	20%
2015/16	Software Licensing	Richard Simpson	High	Limited (3 rd follow up in progress)	8	5	63%
2015/16	EMS Application	Richard Simpson	High	Limited (4 th follow up in progress)	4	1	25%
2015/16	Old Town Building Frontages	Shifa Mustafa	High	Limited (1 st follow up in progress)	5	-	-
2015/16	ICT Service Delivery ITIL Framework	Richard Simpson	High	Limited (2 nd follow up in progress)	2	1	50%
2015/16	ICT Mobile Devices	Richard Simpson	High	Limited (2 nd follow up in progress)	8	5	63%
2015/16	Open Book Accounting	Shifa Mustafa	High	Limited (1 st follow up in progress)	11	-	-
2015/16	Council Tax	Richard Simpson	High	Substantial	4	4	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up planned)			
2015/16	NDR – Non Domestic Rates	Richard Simpson	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Payments to Schools	Richard Simpson	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Cultural Direction	Richard Simpson	High	Substantial (1 st follow up in progress)	1	-	-
2015/16	Locality Early Help	Barbara Peacock	High	Substantial (No further follow up planned)	9	8	89%
2015/16	Looked After Children (placed in another LA area)	Barbara Peacock	High	Substantial (1 st follow up in progress)	7	-	-
2015/16	Youth Offending Service	Barbara Peacock	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Care Act 2014	Barbara Peacock	High	Substantial (1 st follow up in progress)	2	-	-
2015/16	Better Care Fund	Barbara Peacock	High	Substantial (1 st follow up in progress)	7	-	-
2015/16	Childcare Provision	Barbara Peacock	High	Substantial (2 nd follow up in progress)	6	3	50%
2015/16	Integrated Commissioning	Barbara Peacock	High	(1 st follow up in progress)	3	-	-
2015/16	Gifts and Hospitality	Richard Simpson	High	Substantial (1 st follow up in progress)	3	-	-
2015/16	Member Ethics and Transparency	Richard Simpson	High	Substantial (No further follow up planned)	2	2	100%
2015/16	Connected Croydon – Programme and Project Management	Shifa Mustafa	High	Substantial (1 st follow up in progress)	4	-	-
2015/16	Heart Town Initiative Programme Management	Barbara Peacock	High	Substantial (1 st follow up in progress)	7	-	-
2015/16	People Gateway Programme	Barbara Peacock	High	Substantial (No further follow up planned)	4	4	100%
2015/16	NHS Partnership with Public Health	Barbara Peacock	High	Substantial (1 st follow up in progress)	6	-	-
2015/16	Asset Sales	Richard Simpson	High	Substantial (2 nd follow up in progress)	6	3	50%
2015/16	Croydon Challenge (Programme Management)	Richard Simpson	High	Substantial	6	5	84%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up planned)			
2015/16	Risk Management	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	EMS Data Quality	Shifa Mustafa	High	Substantial (2nd ^d follow up in progress)	4	3	75%
2015/16	Pension Fund Admitted Bodies	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Interserve – Fire Safety and Health and Safety Assessments	Richard Simpson	High	Substantial (No further follow up planned)	11	10	90%
2015/16	Public Consultations	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Street Lighting	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Waste Contract Management	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Planning Enforcement	Shifa Mustafa	High	Substantial (1 st follow up in progress)	2	-	-
2015/16	School Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	5	4	80%
2015/16	Housing Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Waste Recycling	Shifa Mustafa	High	Substantial (3 rd follow up in progress)	3	0	0%
2015/16	One Oracle Back Office	Richard Simpson	High	Substantial (2 nd follow up in progress)	2	0	0%
2015/16	Internal Network	Richard Simpson	High	Substantial (1 st follow up in progress)	2	-	-
2015/16	Procurement of Consultants – South Norwood Public Realm Lead Design	Shifa Mustafa	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Clocktower and Town Hall Replacement Works	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Wandle Park pavilion Works	Shifa Mustafa	High	Substantial (1 st follow up in progress)	4	-	-
2015/16	EU Procurement Directives	Richard Simpson	High	Substantial (1 st follow up in progress)	2	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2015/16	SEN Transport Contract	Richard Simpson	High	Substantial (No further follow up planned)	6	6	100%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					182	120	66%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					22	13	59%
School Audits							
2015/16	Margaret Roper	Barbara Peacock	Medium	Limited (1 st follow up in progress)	15	-	-
2015/16	St Mary's RC High	Barbara Peacock	Medium	Limited (1 st follow up in progress)	7	-	-
2015/16	Beaumont Primary School	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	2	-	-
2015/16	Beulah Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Elmwood Infants	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	5	-	-
2015/16	Elmwood Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2015/16	Gilbert Scott	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2015/16	Good Shepherd Catholic	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	7	-	-
2015/16	Howard Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Kingsley	Barbara Peacock	Medium	Substantial (No f/up - recs implemented at final report)	4	4	100%
2015/16	Norbury Manor	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	2	-	-
2015/16	The Minster Junior	Barbara Peacock	Medium	Substantial (2 nd follow up in progress)	2	0	0%
2015/16	The Minster Nursery and Infants	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	2	-	-
2015/16	Purley Oaks Primary	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	6	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2015/16	Rockmount	Barbara Peacock	Medium	Substantial (No f/up recs implemented at final report)	1	1	100%
2015/16	Selsdon	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	St Chad's RC Primary	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	10	-	-
2015/16	Winterbourne Infant & Nursery	Barbara Peacock	Medium	Substantial (No further follow up)	4	4	100%
2015/16	Winterbourne Junior Girls	Barbara Peacock	Medium	Substantial (No further follow up)	2	2	100%
2015/16	Wolsey Infants	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	4	-	-
2015/16	St Joseph's RC Federation	Barbara Peacock	Medium	Substantial (No further follow up)	3	3	100%
2015/16	Archbishop Tenison's C of E High School	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	4	-	-
School Audits Sub Total: Recommendations and implementation from audits that have had responses					30	28	93%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					0	0	N/a
Recommendations and implementation from audits that have had responses					212	149	70%
Priority 1 Recommendations from audits that have had responses					22	13	59%

Appendix 5 - Follow-up of 2016/17 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2016/17	Disabled Facilities Grants	Barbara Peacock	High	Limited (2 nd follow up in progress)	12	11	92%
2016/17	Licensing Income	Shifa Mustafa	High	Substantial (1 st follow up in progress)	2	-	-
2016/17	Hyperion Application	Richard Simpson	High	Substantial (1 st follow up in progress)	9	-	-
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					12	11	92%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					2	1	50%

Appendix 6 - Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

February 2017

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

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For General Release

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 22 March 2017
AGENDA ITEM:	8
SUBJECT:	Internal Audit Charter, Strategy and Plan
LEAD OFFICER:	Simon Maddocks, Director of Governance
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT: Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services helping the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.	
FINANCIAL IMPACT The Internal Audit contract for 2017/18 is a fixed price contract of £333,000 and appropriate provision has been made within the budget for 2017/18.	

1. RECOMMENDATIONS

- 1.1 The General Purposes & Audit Committee is asked to approve the Internal Audit Charter (Appendix 1), Strategy (Appendix 2) and the plan of audit work for 2017/18 (Appendix 3).

2. EXECUTIVE SUMMARY

- 2.1 The current UK Public Sector Internal Audit Standards came into effect on 1 April 2013. To help with the Council's compliance with these standards the Council's internal audit charter and strategy are reviewed annually and are now attached for approval. These will be reviewed and brought back for approval each year to ensure that they remain up to date and relevant. Also attached is the work plan for internal audit for 2017/18.

3. DETAIL

- 3.1 In England, specific requirements are detailed in the Accounts and Audit Regulations 2015, in that a relevant body must “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
- 3.2 The UK Public Sector Internal Audit Standards which apply to local and central government, the NHS and the three devolved governments came into force from 1st April 2013 and were further revised in 2016. Compliance with these satisfies the requirements of the Accounts and Audit Regulations.
- 3.3 To help with the Council’s compliance with these standards the Council’s internal audit charter (appendix 1) and strategy (appendix 2) have been reviewed and are attached for approval. These will be reviewed and brought back for approval each year to ensure that they remain up to date and relevant. Also attached for approval is the work plan for internal audit for 2017/18 (appendix 3).
- 3.4 The work plan for 2017/18 follows a similar format to previous years and its make-up is as set out in the audit strategy. It aims to maximise the value from the internal audit resource available and to provide sufficient evidence to enable the Director of Governance to give an opinion on the effectiveness of its risk management, control and governance processes.
- 3.5 The Council’s Executive Leadership Team reviewed the work plan at its meeting on 1 March 2017.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 4.1 The fixed price for the Internal Audit Contract is £333,000 for 2017/18 and there is adequate provision within the budget. There are no additional financial considerations relating to this report
- 4.2 Internal Audit’s planning methodology is based on risk assessments that include using the Council risk register processes.

(Approved by: Zolfiqar Darr, Head of Finance, Resources)

5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 5.1 The Solicitor to the Council comments that information provided in this report is necessary to demonstrate the Council’s compliance with requirements imposed by the Accounts and Audit Regulations 2015, and in particular that there is an effective internal audit to evaluate the effectiveness of the Council’s risk management, control and governance processes.

(Approved by: Jacqueline Harris-Baker, Acting Director of Law and Monitoring Officer)

6. HUMAN RESOURCES IMPACT

- 6.1 There are no immediate human resource considerations arising from this report for LBC staff or workers.

(Approved by: Jason Singh, Head of HR)

7. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

- 7.1 When Internal Audit is developing the Annual Audit Plan or individual audit programmes the impacts of the issues above are considered depending on the nature of the area of service being reviewed. Issues relating to these impacts would be reflected in the audit reports and recommendations.

CONTACT OFFICER: Simon Maddocks, Director of Governance

BACKGROUND DOCUMENTS: None

APPENDICES: Appendix 1 – Internal Audit Charter 2017
Appendix 2 – Internal Audit Strategy 2017
Appendix 3 – Annual Internal Audit Plan 2017-2018

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Internal Audit Charter

This Charter sets out the purpose, authority and responsibility of the Council’s Internal Audit function, in accordance with the mandatory UK Public Sector Internal Audit Standards.

The Charter will be reviewed annually and presented to the General Purposes & Audit Committee for approval.

Purpose

The Institute of Internal Auditors’ International Professional Practices Framework (IPPF) defines internal audit as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

In a local authority internal audit provides independent and objective assurance to the organisation, its Members, the Executive Leadership Team (ELT)¹ and in particular to the Chief Financial Officer to help him discharge his responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council’s financial affairs.

In addition, the Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council’s risk management, control and governance processes.

The Institute of Internal Auditors (IIA) defines assurance as “services that involve the internal auditor’s objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor”.

Mission and Core Principles

The IPPF’s overarching “Mission” for Internal Audit services is: “...to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

The “Core Principles” that underpin delivery of the IPPF mission require internal audit functions to:

- Demonstrate integrity;
- Be objective and free from undue influence (independent);

¹ Fulfill the role of senior management - Public Sector Internal Audit Standards 2016

- Align with the strategies, objectives and risks of the organisation;
- Be appropriately positioned and adequately resourced;
- Demonstrate quality and continuous improvement;
- Communicate effectively;
- Provide risk-based assurance;
- Be insightful, proactive, and future-focused; and
- Promote organisational improvement.

Authority

The Internal Audit function has unrestricted access to all Council records and information, both manual and computerised, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. Internal audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Council should be set out in the conditions of funding.

The Internal Audit function will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, which External Audit would need to discharge its responsibilities.

Responsibility

The Council's Director of Governance², is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the General Purposes & Audit Committee³, on the adequacy and the effectiveness of the internal control system for the whole Council. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes
- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.

² Fulfills the role of the Chief Audit Executive – Public Sector Internal Audit Standards 2016

³ Fulfills the role of the board – Public Sector Internal Audit Standards 2016

- To provide advice and support to management to enable an effective control environment to be maintained
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud. To this end, all Council workers have a responsibility to notify the Director of Governance of all instances of suspected or detected fraud or impropriety, as this may inform the annual audit opinion and the internal audit plan.
- To investigate allegations of fraud, bribery and corruption

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

The remit of Internal Audit covers the entire control environment of the organisation. Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in organisations has a significant controlling interest, such as Local Authority Trading Companies. Internal Audit may also provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

Internal Audit may undertake consulting activities. The Institute of Internal Auditors (IIA) defines consulting as “Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.”

Reporting

The UK Public Sector Internal Audit Standards (2016) require the Director of Governance to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Strategy and Charter and any amendments to them are reported to the Executive Leadership Team (ELT) directly or via the Governance Board (GB) and then presented to General Purposes & Audit Committee (GPAC) for formal approval annually.
- The annual Internal Audit Plan is compiled by the Director of Governance taking account of the Council's risk framework and after input from members of ELT and other senior officers. It is then presented to ELT, GB and GPAC annually for noting and comment.

- The internal audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Director of Governance) and the independence of internal audit will be reported annually to the GPAC. The approach to providing resource is set out in the Internal Audit Strategy.
- Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to the GB and the GPAC on a quarterly basis.
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the GPAC.
- Results from internal audit's Quality Assurance and Improvement Programme will be reported to GPAC.
- The appointment or removal of the Director of Governance must be reported to and approved by ELT.
- Any instances of non-conformance with the Public Sector Internal Audit Standards (2016) must be reported to the GB and the GPAC and will be included in the Director of Governance's annual report. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

Independence

The Director of Governance has free and unfettered access to the following:

- Chief Financial Officer
- Chief Executive
- Chair of the General Purposes & Audit Committee (GPAC)
- Monitoring Officer
- Any other member of the Executive Leadership Team

The Director of Governance is line managed by the Chief Financial Officer. His independence is further safeguarded by ensuring that his annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the GPAC contribute to, and/or review the appraisal of the Director of Governance.

All Council and contractor staff in the Governance Service are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed. Auditors are also frequently rotated to prevent over-familiarity or complacency which could influence objectivity.

In addition, both the Council and the audit contractor have stringent procedures in place relating to the acceptance of gifts and hospitality and the prevention of bribery.

To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months. Nor will any member of audit staff be involved in any audit work for any area in which they have had operational responsibility within the past 12 months.

The Director of Governance has, in addition to internal audit, responsibility for anti-fraud, democratic services, scrutiny and elections. Arrangements will be made to ensure that internal audits of these areas are scoped and reported upon independently of the Director of Governance.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards (2016);
- The CIPFA Local Government Application Note (LGAN);
- The codes of ethics for any professional body that internal auditors are members of;
- All Council Policies and Procedures
- All relevant legislation

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards (2016), ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Director of Governance is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced. The Director of Governance will ensure that the internal audit service has access to an appropriate range of knowledge, skills, personal attributes, qualifications, experience and competencies required to perform and deliver its responsibilities.

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Internal Audit Strategy

This Strategy sets out how the Council’s Internal Audit service will be developed and delivered in accordance with the Internal Audit Charter.

The Strategy will be reviewed annually and presented to the General Purposes & Audit Committee for approval.

Internal Audit Objectives

Internal Audit will provide independent and objective assurance to the organisation, its Members, the Executive Leadership Team (ELT)¹ and in particular to the Chief Financial Officer to support him in discharging his responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council’s financial affairs.

It is the Council’s intention to provide a best practice, cost effective internal audit service.

Internal Audit’s Remit

The internal audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the council’s objectives.

Under the direction of a suitably qualified and experienced Director of Governance² Internal Audit will:

- Provide management and Members with an independent, objective assurance and consulting activity designed to add value and improve the Council’s operations.
- Assist the General Purposes & Audit Committee³ to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;

¹ Fulfill the role of senior management - Public Sector Internal Audit Standards 2016

² Fulfils the role of the Chief Audit Executive – Public Sector Internal Audit Standards 2016

³ Fulfils the role of the board – Public Sector Internal Audit Standards 2016

- Work closely with other assurance providers to share information and provide a value for money assurance service and;
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit must ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice.

Service Delivery

The Service will be delivered by the Council's strategic internal audit partner (currently Mazars) under the direction of the Council's Director of Governance and supported by an in-house Governance Team. This provides flexibility of resource and mitigates many of the risks associated with delivering a professional internal audit service.

To ensure that the benefits of the Internal Audit service are maximised and shared as best practice, Croydon has established the London Audit & Anti-Fraud Partnership to work with other local authorities. This includes appropriate: resource provision, joint working, audit management & strategy and a range of value added services.

Internal Audit Planning

Audit planning will be undertaken on an annual basis and audit coverage will be based on the following:

- Discussions with the Council's Executive Leadership Team (ELT), Corporate leadership Team (CLT) and other management;
- The Council's Risk Register;
- The Council's priorities and Corporate plan;
- Outputs from other assurance providers (eg Ofstead or the External Auditor);
- Requirements as agreed in the joint working protocol with External Audit;
- Local and national issues and risks.

The Internal Audit Plan 2017-18 is composed of the following:

- **Risk Based Systems Audit:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they operating correctly. The

selection of work in this category is driven by Departments' own risk processes and will increasingly include work in areas where the Council services are delivered in partnership with other organisations.

Internal Audit planning is already significantly based on the Council's risk register, resulting in more than 40% of the audit plan being based upon risks identified by management. Internal audit will continue to have a significant role in risk management with audit planning being focused by risk and the results of audit work feeding back into the risk management process to form a 'virtuous circle'.

- **Key Financial Systems:** Audits of the Council's key financial systems where External Audit require annual assurance as part of their external audit work programme.
- **Probity Audit (schools & other establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice are confirmed. For schools this includes assessment against the Schools Financial Value Standard.
- **Computer Audit:** The review of ICT infrastructure and associated systems, software and hardware.
- **Contract Audit:** Audits of the Council's procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Fraud and Ad Hoc Work:** A contingency of audit days are set aside to cover any fraud and irregularity investigations arising during the year and additional work due to changes or issues arising in-year.

The internal audit plan for 2017-18 covers a period of twelve months. However, Croydon Council and local government as a whole is being subjected to continuous change and financial pressures that may result in changed priorities during the course of the year. Where this happens the Director of Governance may need to flex the internal audit plan; any proposed significant changes to the plan will be reported to the senior management and the General Purposes & Audit Committee.

Follow-up

Internal Audit will evaluate the Council's progress in implementing audit recommendations against set targets for implementation. Progress will be reported to management and to the General Purposes & Audit Committee on a quarterly basis.

Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the agreed escalation procedure.

Reporting

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work and in summary to departmental and corporate management on a quarterly basis. Summary reports are also provided to the General Purposes & Audit Committee four times per year. This includes the Director of Governance's annual report that contributes to the assurances underpinning the Annual Governance Statement of the Council.

2017/18 Annual Audit Plan	Audit Days Budget 2017/18	Dept
KEY FINANCIAL SYSTEMS REVIEWS		
Business Rates	12	Resources
Community Care Payments	10	Resources
Council Tax	10	Resources
Creditors (inc P2P)	8	Resources
Debtors	10	Resources
Housing Benefits	10	Resources
Housing Rents & Accounting	10	Resources
Housing Repairs	10	Place
Main Accounting System	5	Resources
Parking Enforcement & Tickets	15	Place
Payments to Schools	5	Resources
Payroll - Data Analysis	15	Resources
Pensions	10	Resources
Treasury Management	3	Resources
Follow-up of audits	20	
Total Key Financial Systems Audits	153	
RISK BASED AUDITS		
Budget Management - People Department	10	People
0 - 25 Service : Payments to Families and S17 Payments	15	People
Appointeeships	10	People
CALAT – Income collection	10	People
Care Market Management	10	People
Children's Services : Caseload Management	10	People
Deprivation of Liberty Safeguards	10	People
Direct Payments	10	People
Health Visits	10	People
No Recourse to Public Funds	10	People
Open Book Accounting	12	People
Registrars	10	People
Role of Caretakers in Contract Management	10	People
Schools Forum and its role in Funding	10	People
Sheltered Housing	10	People
Temporary Accommodation - Occupancy Checks and Rebooking	10	People
Un-Accompanied Asylum Seeking Children	15	People
Voids	10	People
Youth Offending Service	10	People
Abandoned Vehicles	10	Place
Bridges and Infrastructure	10	Place
Coast to Capital	10	Place
Development Management	10	Place
Economic Development / Dedicated Loans Company	10	Place
Food Safety	10	Place

Pay and Display Meter Maintenance and Income Collection	10	Place
Planning Pre-Application Advice Panel	10	Place
Public Events	10	Place
Street Trading - Income Collection	10	Place
Transport	10	Place
Tree Root Inspections	10	Place
Adecco Agency Contract	20	Resources
Management of Tier 1 Contracts	10	Resources
Establishment Control	10	Resources
Gifts and hospitality	5	Resources
Brokerage	10	Resources
Croydon Equipment Solutions (Supply and cost control)	10	Resources
Election Accounts and Claims	10	Resources
ICT Client Team - Contract Management of ICT contracts	10	Resources
Mayors Charity Accounts	10	Resources
Pension Fund - Admitted and Scheduled Bodies	10	Resources
Voluntary Organisations - Community Fund	10	Resources
Follow-up of audits	55	
Total Departmental Risk Register Audits	492	
COMPUTER AUDITS		
Anti Virus and Malware	10	Resources
Backup and Business Continuity	10	Resources
GIS	10	Resources
MY app	10	Resources
MyAccount	10	Resources
Peoples ICT	15	People
PSN	15	Resources
SQL Server	10	Resources
Unix/Linux Operating System	10	Resources
Windows Active Directory	15	Resources
Windows Operating System	10	Resources
IT Strategy	0	Resources
SharePoint pre-impl (move to cloud)	0	Resources
SharePoint app (after move)	0	Resources
Follow up of audits	10	
Total Computer Audits	135	
CONTRACT AUDITS		
Various Contract Audits	110	TBA
Follow-up of Contract audits	10	
Total Contract Audits	120	
SCHOOLS AUDITS		
Nursery Schools		
Crossfield Nursery and Selhurst Early Years	5	People
Coulsdon Nursery	5	People
Purley Nursery	5	People
Tunstall Nursery	5	People
Thornton Heath Early Years Centre	5	People
Primary Schools		
All Saints C of E Primary School	5	People

Beaumont Primary	5	People
Beulah Juniors	5	People
Cypress Primary School	5	People
Elmwood Infants School	5	People
Elmwood Junior School	5	People
Gilbert Scott Primary School	5	People
Heavers Farm Primary	5	People
Howard Primary School	5	People
Margaret Roper Catholic Primary	5	People
Minster Nursery and Infant School	5	People
Norbury Manor Primary	5	People
Purley Oaks Primary School	5	People
Rockmount Primary School	5	People
Selsdon Primary School	5	People
St Joseph's Federation	5	People
Winterbourne Nursery and Infants	5	People
Woodcote Primary School	5	People
Secondary Schools		
Archbishop Tenison	7.0	People
St Marys High School	7.0	People
Coloma	7.0	People
Special Schools		
Saffron Valley	7	People
Priory	5	People
Follow-up of Schools audits	24	
Total Schools Audits	172	
CONTINGENCY		
Contingency for fraud including NFI and other ad hoc audits	43	
Contingency for Grant Claims	15	
Total Contingency	58	
ADMIN AND MANAGEMENT		
Attendance at meetings, discussions, Audit Committee etc	25	
Internal Audit Strategy and Plans Development	10	
Year End Summary Report (Council-wide Head of Audit Report)	5	
Total Admin and Management	40	
GRAND TOTAL BUDGET	1170	
In-House Governance Team	132.5	
Mazars PSIA Ltd	1037.5	

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REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 22 March 2017
AGENDA ITEM:	9
SUBJECT:	Anti-Fraud Report 1 April 2016 – 31 January 2017
LEAD OFFICER:	Simon Maddocks, Director Governance
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The work of the Audit & Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services contributing to the achievement of the Council vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law abiding Borough.</p>	
FINANCIAL SUMMARY:	
<p>The budget provision for the Anti-Fraud service for 2016/17 is £490,000 and the service is on target to be delivered within budget.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

1. RECOMMENDATIONS
<p>1.1 The Committee is asked to:</p> <ul style="list-style-type: none"> • Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2016 – 31 January 2017; • Approve the pro-active anti-fraud plan of work 2017/18; and • Approve the London Borough of Croydon Anti-Fraud and Corruption Strategy

2. EXECUTIVE SUMMARY

2.1 This report details the performance of the Council’s Corporate Anti-Fraud Team (CAFT) and includes details of the team’s performance together with an update on developments during the period 1 April 2016 – 31 January 2017.

3. DETAIL

Performance 1 April 2016 to 31 January 2017

- 3.1 The CAFT comprises 12 staff (12.4 FTEs), including investigators an Intelligence Officer and an Investigation Manager, in addition we receive support from Mazars PSIA Ltd, the Council's external strategic partner. The CAFT investigates allegations of fraud which affect the Council's business. In addition the team provides a service to the London Borough of Bexley to investigate allegations of fraud made against them and support to the fraud team at the London Borough of Lambeth. It also provides Financial Investigation services to the South West London Trading Standards Partnership (SWLTSP). Statistics related to Bexley, Lambeth and SWLTSP work are not included in the figures below.
- 3.2 As part of the normal assurance process of the council and to ensure that the CAFT continues to operate effectively, a review has been carried out of the work of the team by Mazars. To ensure independence, the review was carried out by one of their experience fraud managers who has not previously had any involvement with Croydon. In addition, the resultant report was first issued to the Director of Finance, Investment and Risk, who is not part of CAFT's line management. The report is very positive in relation to the work of the team and is attached at appendix 3. Included within this is an action plan to address the four minor improvement recommendations that were made.
- 3.3 There are local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below reflect the focus of the team. Table 2 shows a breakdown of these figures.

Table 1 – Key performance indicators

	ANNUAL TARGET	YEAR TO DATE PERFORMANCE
Successful Outcomes	100	101
Identified Overpayments & Savings	£1,250,000	£989,189

Table 2 - Breakdown of Outcomes from 1 April 2016 – 31 January 2017

Area	Value £
Housing 14 Recovered Properties 4 Right to Buy stopped 1 Removed from Housing list 1 Removed from Temporary Accommodation 2 Succession Stopped 14 Notices/Orders*	252,000 405,000 **18,000 18,000 36,000
Other 14 Formal Cautions 3 Staff Dismissed 4 Disciplinary Action 7 Council tax Discounts 16 Blue Badges Recovered 1 Insurance Claim Stopped 2 Adult Care Package Stopped 4 Safeguarding Referrals 1 No Recourse to Public Funds stopped 1 Insurance Claim Stopped 2 Recommendations for system Improvements 10 Other	260,189
Total 101	989,189

*Includes: Notice Seeking Possession, Notice to Quit and Possession Orders

** Non-cashable saving, as cost to the council only arises when someone moves from the list to a tenancy.

4. FINANCIAL INVESTIGATIONS

4.1 The Council employs two Financial Investigators to undertake cash seizures and other financial investigations, in addition to the work undertaken for Croydon the Council's Financial Investigators are also undertaking work for neighbouring boroughs including, Sutton, Merton, Richmond, Kingston and Waltham Forest. Their investigations relate to various departments within the Councils including:

- Housing Benefit;
- Trading Standards;
- Direct Payments;

- Planning;
- Licensing; and
- Internal cases

4.2 At the time of writing the Financial Investigators have 10 cases under investigation involving a total of 19 defendants. These investigations relate not only to Croydon cases, but also to cases for other councils.

4.3 Financial Investigators are empowered to apply for restraint orders, which is a type of court order agreed by a judge. The order has the effect of freezing property, including money and assets anywhere in the world that may be liable to confiscation following the trial. The aim of the order is to strike a balance between keeping the defendant's assets available to satisfy any confiscation order which may be made in the event of conviction and meeting the defendant's reasonable requirements in the meantime. In these cases if there is a successful prosecution then a portion of these restrained assets will be returned to the Council. The Council's Financial Investigators currently have £110,000 In cash detained as well as more than 74 restraint orders in place as follows:

- 58 Bank Accounts
- 13 Properties
- 2 Cars
- 1 watch

5. PRO-ACTIVE ANTI FRAUD PLAN

5.1. Although reactive work forms the largest part of the team's work, activities are considered for inclusion in a pro-active anti-fraud plan. These are based on previous successes, current fraud trends and local priorities. The plan links closely to the key strands within the Anti-fraud and Corruption Strategy which are detailed below. The proposed pro-active plan for 2017/18 is attached as appendix 1.

5.2. During the course of the year we will undertake other pro-active exercises in response to risks that present themselves during the year.

6. ANTI-FRAUD AND CORRUPTION STRATEGY

6.1 The Anti-Fraud and Corruption Strategy (appendix 2) is based on five key strands as per the CIPFA Code of Practice on "managing the risk of fraud and corruption", these are:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption

- 6.2 The Anti-Fraud Strategy sets out the Council’s policy and strategy in relation to fraud and corruption and is brought to the General Purposes and Audit Committee annually for approval.
- 6.3 This year we have reviewed the policy and made no changes since all areas are current and reflect the Council’s strong stance against fraud.
- 6.4 A full copy of the strategy is attached at Appendix 2. Members’ endorsement of this strategy helps communicate a message of support for the anti-fraud activities undertaken by Council and helps show the community that fraud within the Borough is taken seriously and tackled. In addition it shows Council staff, contractors and stakeholders that Members are keen to reduce fraud against the Council to a minimum.

7. LOCAL GOVERNMENT TRANSPARENCY CODE

- 7.1 Members will be aware of the Local Government Transparency Code which requires Councils to publish data about various areas of their activities. Included in the 2014 code is detail on Counter Fraud work, most of this information has always been reported to committee; however there are some new areas which now need to be made public. These are detailed below:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	21
Total number of employees undertaking investigations and prosecutions relating to fraud	12
Total number of full time equivalent employees undertaking investigations and prosecutions of fraud	11.4
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	11
Total number of full time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	10.6
Total number of fraud cases investigated*	215

*The number of investigations that have been closed during the period April ‘16 to January ‘17.

8. FINANCIAL AND RISK ASSESSMENTS

- 8.1 The budget provision for the audit and anti-fraud service for 2016/17 is £490,000 and the service has been delivered within budget.
- 8.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Zolfiqar Darr, Head of Finance, Resources)

9. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 9.1 The Solicitor to the Council advises that there are no additional legal implications arising from this report

(Approved by: Jacqueline Harris-Baker, Acting Director of Law and Monitoring Officer)

10. HUMAN RESOURCES IMPACT

10.1 There are no immediate human resource considerations arising from this report for LBC staff or workers.

(Approved by: Jason Singh, Head of HR)

11. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, CRIME AND DISORDER REDUCTION & HUMAN RIGHTS IMPACTS

11.1 There are no further considerations in these areas.

12. EQUALITIES IMPACT ASSESSMENT

12.1 An initial screening equalities impact assessment has been completed for the Anti-fraud and Corruption Policy. No further action was found to be necessary.

CONTACT OFFICER:	David Hogan (Investigations Manager)
BACKGROUND DOCUMENTS:	None
APPENDICES:	Appendix 1 – Pro-Active Anti-Fraud Plan 2017/18 Appendix 2 – London Borough of Croydon Anti-Fraud & Corruption Strategy Appendix 3 – Counter Fraud Service Review

Appendix 1

London Borough of Croydon Pro-active Anti-Fraud Plan 2017/18

March 2017

Introduction

This document sets out the Council's Pro-Active Anti-Fraud plan.

We know that fraud will be attempted against the Council during the coming year and as a result we will maintain a team dedicated to preventing fraudulent attempts becoming successful, investigating allegations of fraud, seeking to punish those who have committed fraudulent acts against the Council, identifying losses to be recovered and, where appropriate, taking recovery action in accordance with the Proceeds of Crime Act through financial investigations.

The Council's Anti-Fraud Policy outlines a five strand approach to countering fraud under the following headings:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption

The activities and target outcomes described in the pro-active plan below link to an overall aims of the anti-fraud policy, acknowledging, identifying, developing strategy, providing resources and responding to fraud risks. The emphasis this year will focus on the greater use of data matching and data analytics

Activity	Detail	Target Outcomes
National Fraud Initiative (NFI) 2017/18	<p>This is the first time that the Cabinet Office has taken on responsibility for NFI, a function of the former Audit Commission. The scope of NFI is wide, encompassing local authority data on a national level, as well as that of the NHS, Home Office and for the first time some Registered social landlords. Participation in NFI is mandatory for local authorities.</p> <p>The NFI records matched data in reports and classifies each report according to fraud risk. The team will initially prioritise the reports with the highest fraud risk and then then further prioritise according to local service pressures, such as social housing.</p>	<p>The team will be seeking to review all priority matches within the first 6 months (February to August 2017).</p> <p>The team will seek to maximise the number of frauds that can be closed off and to recover funds where possible.</p> <p>The NFI will be used to identify emerging fraud risks in service areas and then inform the internal audit programme.</p> <p>The General Purposes and Audit Committee will receive reports on the outcome of cases, including the number and value of cases that have been looked at.</p>
London Counter Fraud Hub (LCFH)	<p>This project seeks to develop a Hub within London where data matching and other analytics can identify fraud committed against all London Boroughs.</p> <p>The Hub will be run by CIPFA, in partnership with BAE systems and promises to identify fraud on a payment by results basis using the most advanced analytics available. Croydon has been a part of the stakeholder board during the design process and has now been chosen as one of 5 pilot authorities' for the proof of concept stage.</p>	<p>Payment by results basis</p> <p>A further means of identifying fraud. This will enable investigation and where appropriate, sanction and recovery.</p> <p>As a proof of concept authority, Croydon has the opportunity to help shape the hub going forward to maximise the benefits for its own residents as well as those of other London boroughs.</p>

Activity	Detail	Target Outcomes
Continue to produce the Fraud Defence newsletter and send it Council wide and to various stakeholders.	Since 2007 the Corporate Anti-Fraud Team has delivered a quarterly newsletter called Fraud Defence to managers within the Council for dissemination to their teams. We will continue to write and deliver this Newsletter during 2017/18.	Maintain and enhance the Counter Fraud Culture of the Council; and Raise the profile of the Council's Corporate Anti-Fraud Team.
Develop e-learning opportunities for council staff through the use of the newly acquired 'Leaning Pool' platform.	The Council has recently invested in a new e-learning platform which can be used by council departments to provide learning to staff. The Corporate Anti-Fraud Team intends to develop both general and more specialist on-line courses which staff and managers can take at their own convenience.	Maintain and enhance the Counter Fraud Culture of the Council
Continue to produce press releases to highlight the successes of the Corporate Anti-Fraud Team	Following successful prosecutions or other notable successes, the team produces press releases to raise awareness of the Council's determination to investigate fraud and to deal robustly with the perpetrators. It is intended that this should act as a deterrent to some of those considering fraud against the Council.	Prevention by deterrence of some fraud that might otherwise be committed.
Croydon fraud and Enforcement Forum	The Council will continue to develop the Fraud and Enforcement Forum with key internal and external partners. Building on current successes the Council will combat fraud across the borough with our partners.	In order to monitor the successes of the Fraud and Enforcement Partnership we request feedback from its members and examples of cases that have been investigated utilising joint working capability developed through the forum

Activity	Detail	Target Outcomes
Local Authority Financial Investigators Forum	To Share good practices with other Financial Investigators who are engaged in tracing and recovering assets of people who commit Fraud against the council.	In order to monitor the successes of the Local Authority Financial Investigators Forum we will request feedback from its members and examples of cases that have been successful as a result of information received through the forum.

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London Borough of Croydon Anti-Fraud & Corruption Strategy

1. Introduction

2. Definitions

- 2.1 What is Fraud?
- 2.2 What is Corruption?
- 2.3 What is Theft?
- 2.4 What is Financial Malpractice/Irregularity?

3. Statement of Intent and Strategy

- 3.1 Acknowledge
- 3.2 Identify
- 3.3 Develop
- 3.4 Resource
- 3.5 Respond

4. Responsibilities

- 4.1 Corporate Responsibilities
- 4.2 Councillor Responsibilities
- 4.3 Manager Responsibilities
- 4.4 Employee Responsibilities
- 4.5 Contractor Responsibilities
- 4.6 Internal Audit & Corporate Anti-Fraud Team Responsibilities
- 4.7 General Public – Responsibilities

5. Reporting a Fraud

6. Awareness & Monitoring

1. INTRODUCTION

1.1 This document sets out the Council's policy and strategy in relation to fraud and corruption. It is owned by the Director of Governance. It has the full support of the Council's General Purposes & Audit Committee, Governance Board and senior management.

1.2 We are responsible for paying or spending millions of pounds of public money in delivering services, assistance and paying benefits. In addition the Council is responsible for the management of various buildings and other assets. We are committed to ensuring that those funds and assets are legitimately used and only those entitled to services and benefits receive them. However, we recognise that all organisations within the public and private sector are at risk of fraud and in order to fulfil the Council's corporate strategy we will maximise the resources available to us by reducing fraud and misappropriation to a minimum.

1.3 The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and prosecution or a combination of these sanctions, we will also seek to recover losses incurred through fraud.

1.4 Central to this, we have a dedicated Corporate Anti-Fraud Team who will investigate allegations of fraud and corruption across all Council service areas. The Corporate Anti-Fraud Team includes two Financial Investigators whose role is to recover losses and make sure any person(s) defrauding the Council does not benefit from their ill-gotten gains. Our strategy is based upon five key themes as identified by the CIPFA Code of Practice on managing the risk of fraud and corruption:

- Acknowledge;
- Identify
- Develop
- Resource
- Respond

1.5 These themes exist within the overall context of an Anti-Fraud Culture promoted by the Council through its leaders, governance arrangements and general approach to fraud and corruption.

1.6 This Anti-Fraud and Corruption Strategy summarises the Council's position, building on the content of a number of corporate policy statements, including:

- Members Code of Conduct;
- Officers Code of Conduct;
- Whistle-blowing Policy;
- Anti-Money Laundering Policy;

- Anti-Bribery Policy;
- Financial Regulations;
- Tenders and Contract Regulations; and
- The Procedures for the Investigation of Financial Irregularities and Fraud

1.7 Overarching the above policies is the fact that Council Members and Officers are expected to adopt the highest standards of propriety and to follow the 'Nolan' principles of public life which are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

2. DEFINING FRAUD

What is fraud?

2.1 The Fraud Act 2006 details the legal definitions of fraud, and is used for the criminal prosecution of most fraud offences. The Council also deals with fraud in non-criminal matters. For the purposes of this Strategy fraud is defined as: A dishonest action designed to facilitate gain (personally or for another) at the expense of the Council, the residents of the borough or the wider national community.

2.2 The definition covers various offences including: deception, forgery, theft, misappropriation, collusion and misrepresentation. Although use in this context is not intended to limit the full use of the Fraud Act 2006 in the investigation and prosecution, by the Council, of any offences.

What is Corruption?

2.3 Corruption is the offering or acceptance of inducements designed to influence official action or decision-making. These inducements can take many forms including cash, holidays, event tickets, meals, etc.

2.4 The Bribery Act 2010 creates offences relating to Bribery and the Council's stance with regard to bribery is outlined in the Anti-Bribery Policy

What is Theft?

2.5 The Theft Act 1968 details the legal definition of theft. For the purposes of this Strategy theft is defined as the taking without consent and with the intention of not returning any property belonging to the Council or which has been entrusted to it e.g. client funds), including cash, equipment, vehicles, data, etc.

- 2.6 Theft does not necessarily require fraud to be committed. Theft can also include the taking of property belonging to our staff or Members whilst on Council property.

What is Financial Malpractice/Irregularity?

- 2.7 This term is used to describe any actions that represent a deliberate serious breach of accounting principles, financial regulations or any of the Council's financial governance arrangements. They do not have to result in personal gain.

3. STATEMENT OF INTENT AND STRATEGY

- 3.1 We recognise that dealing with fraud is important and that it has a duty to Council Tax payers and Central Government to ensure that all public funds are administered correctly.

- 3.2 Our strategy combating fraud and corruption is based on the CIPFA Code of practice principals made up of the following key elements:

Acknowledge responsibility

The General Purposes and Audit Committee (GPAC) is charged with governance on behalf of the Council. It acknowledges its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation and its Terms of Reference reflect that.

Specific steps include:

1 The Council's leadership team acknowledges the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.

2 The Council's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.

3 GPAC acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes.

Identify risks

Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

Specific steps include:

1 A register of fraud risks is being developed in conjunction with other London Boroughs as part of the London Counter Fraud Hub

2 The organisation recognises the risks of corruption and the importance of behaving with integrity in its governance framework.

Develop a strategy

The Council needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

Specific steps include:

1 GPAC formally adopts this counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals. The strategy is reviewed annually and approved by GPAC

2 The Council includes the use of joint working and partnership approaches to managing its risks, where appropriate.

3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks.

4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight. See section 4 below.

Provide resources

The Council makes arrangements for appropriate resources to support the counter fraud strategy.

Specific steps include:

1 An assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.

2 The Council utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.

3 The Council grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.

4 The Council uses joint working and data and intelligence sharing (where possible) to support counter fraud activity.

Take action

The Council has in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.

Specific steps include:

1 The Council has put in place a policy framework which supports the implementation of the counter fraud strategy. The framework includes:

Counter fraud policy

Whistleblowing policy

Anti-money laundering policy

Anti-bribery policy

Anti-corruption policy

Gifts and hospitality policy and register

Pecuniary interest and conflicts of interest policies and register

Codes of conduct and ethics

Information security policy

Cyber security policy.

2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.

3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.

4 Providing for independent assurance over fraud risk management, strategy and activities.

5 There is a report to GPAC at least annually on performance of the Corporate Anti-Fraud Team and the success of the strategy. Conclusions are featured in the annual governance report.

4. RESPONSIBILITIES

Corporate Responsibilities

4.1 The Council is committed to the maintenance of a robust framework of procedures and policies, which if adhered to, will prevent fraud. The whistle blowing process and fraud hotline bolster these processes by being a deterrent to fraudulent activity and provide the means for reporting or detecting fraud or corruption.

4.2 The endorsement of this strategy sends a clear message that fraud against the Council will not be tolerated and where reported it will be investigated and where identified will be dealt with in a professional and timely manner using the strongest punishment available in accordance with available guidance. In addition restitution will always be sought for the loss incurred. Through the creation and enhancement of a strong Anti-Fraud Culture the Council aims to deter potential perpetrators from targeting its finances and services. Within the corporate framework there are a number of facets that exist to protect the Council against fraud. These include:

- The Constitution, Financial Regulations, and the Scheme of Delegation;
- An established Committee fulfilling the role of an audit committee;
- An established Ethics Committee and an adopted code of conduct for Members;
- Statutory responsibility for the oversight of all financial and legal affairs;
- Declaration of interest and gifts and hospitality procedures for Members and Officers;
- Effective employee vetting procedures - recruitment checks and DBS where appropriate and a detailed staff Code of Conduct;
- Internal controls regularly reviewed and annually certificated by directors;

- Periodic checks by Internal Audit in line with a risk based Audit Plan;
- A confidential reporting code (Whistle-blowing procedure);
- A Complaints procedure available to the public;
- An External Audit;
- A Corporate Anti-Fraud Team and Financial Investigators;
- Participation in the National Fraud Initiative, and membership of the National Anti-Fraud Network; and
- Webpages on the intranet offering governance and anti-fraud advice to employees.

Councillor Responsibilities

- 4.3 The Council's Members lead by example at all times, maintaining the highest standards of probity, honesty, integrity and accountability in their dealings. This expectation is detailed in the Council's Constitution under the Members Code of Conduct, available on the Council's internet and intranet sites.
- 4.4 Councillors are required to declare any potential conflicts of interest that could be deemed to impact on the way they perform their roles. Councillors are also required to register any gifts or hospitality offered or received over a given value.

Manager Responsibilities

- 4.5 Managers are responsible for ensuring that adequate systems of internal control exist within their areas of responsibility and that these controls, checks and supervision operate in such a way as to prevent or detect fraudulent activity. The primary responsibility for the prevention and detection of fraud, therefore, rests with managers who are required to assess the types of risks and scope for potential internal and external frauds associated with the operations in their area. Internal Audit undertake independent assessments of the key risks and associated controls within systems across the Council.
- 4.6 Managers will ensure that staff receive training in 'Fraud Awareness'. The level and extent of this will depend on the work that individual employees carry out. When employees are an integral part of the control framework, it is crucial they are regularly reminded of fraud and risk issues.
- 4.7 Managers are required to report all instances of suspected, reported or detected fraud to the Director of Governance or the Head of Anti-Fraud, who will offer advice on the best approach to each incident. This ensures that there is a consistent and co-ordinated professional approach to all investigations and that the associated procedures are fully compliant with legislation.

Employee Responsibilities

- 4.8 Members of staff are a very important element in the Council's efforts to combat fraud and corruption. The Officers' Code of Conduct explains the requirement for all staff to be vigilant and describes how they should raise any concerns they may have.

- 4.9 The Code requires that employees report their suspicions or knowledge of any possible fraud or corruption to their Line Manager. Where an employee feels unable to use this route they are expected to report to the Head of Service or independently to the Head of Governance.
- 4.10 Through its Whistle-blowing Policy the Council provides employees and councillors with the means to report instances of suspected fraud, corruption or breaches of the Council's policies. The policy offers employees and councillors protection from recrimination and allows them anonymity if they so choose.

Contractor Responsibilities

- 4.11 The Council expects all contractors it has dealings with to act with complete honesty and integrity in all dealings with the Council, its service users and residents. The Council requires the employees of contractors to report any suspicions or knowledge they may have in relation to fraud and/or corruption against the Council. Contractors or their employees may report all concerns to the Council's client-side staff who will in turn report the matter to the appropriate line manager or they may make a report using the Council's whistle blowing policy.

Internal Audit and Corporate Anti-Fraud Team Responsibilities

- 4.12 As part of the Council's system of internal control the Internal Audit team are required to undertake a risk-based assessment of all major systems operating across the Council and undertake an agreed plan of audits to test the controls in place.
- 4.13 The Council provides an anti-fraud function to facilitate the identification and subsequent investigation of alleged acts of fraud or corruption.
- 4.14 The Head of Anti-Fraud is responsible for making appropriate arrangements to co-ordinate the Council work on the Audit Commission's National Fraud Initiatives and to undertake internal data matching across council systems.
- 4.15 The Head of Anti-Fraud will advise Directors of all instances of reported or detected fraud or corruption in their service area and where appropriate undertake any subsequent investigation.
- 4.16 The Head of Anti-Fraud is responsible for reporting to and liaising with the local police on individual cases and for issuing guidance to members and management in relation to fraud and corruption related legislation and procedures.

General Public – Responsibilities

- 4.17 The Council's expectation is that residents, service users and other members of the public will not tolerate abuse of the Council's assets or services. They are therefore encouraged to report any suspicions or knowledge they may have regarding any acts of fraud and corruption being perpetrated against the Council.

4.18 The public are made aware of the Corporate Anti-Fraud Team's hotline and the DWP's National Benefit Fraud Hotline. A dedicated investigation mailbox and appropriate media campaigns including handouts and posters. The contact numbers/ addresses are secure and all referrals are treated professionally and in confidence.

5. Reporting a Fraud

5.1 The telephone numbers/email addresses to report of concerns relating to fraud corruption or other financial irregularities to are:

- The Corporate Anti-Fraud Team on 020 8760 5645
- Internal Audit on 020 8760 5788
- National Benefit Fraud Hotline 0800 854 440
- Public Concern at Work on 0207 404 6609 (whistleblowing advice line – Employees only)

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London Borough of Croydon
Proactive Report
Counter Fraud Service Review

March 2017

Report issued to:

Lisa Taylor - Director of Finance, Investment & Risk

Contents

1.	Introduction and Background	1
2.	Findings and Good Practise	2
3.	Recommendations	3
	Statement of Responsibility	6

Appendices

1. Terms of Reference Extract
2. Gap Analysis

Status of Our Reports

This report ('Report') was prepared by Mazars Public Sector Internal Audit Limited at the request of the London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, we have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of the London Borough of Croydon and to the fullest extent permitted by law, Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility set out on page 5 of this report for further information about responsibilities, limitations and confidentiality.

1. Introduction and Background

- 1.1. This report summarises our work in examining the provision of counter fraud service in the London Borough of Croydon (the Council), following the transfer of benefit investigations and investigators to the Department for Works and Pensions. The objectives of our work were to:
- Analyse the strengths and weaknesses of the Council's current counter fraud arrangements; and
 - Based on our experience, knowledge and known best practice, make recommendations to help address areas for improvement.
- 1.2. We met with members of the Corporate Anti-Fraud Team (CAFT) and our work examined:
- The type of cases CAFT has examined during the year 2016/17 and the sources of the referrals;
 - The policies and procedures that guide investigations within the Council;
 - Key processes and controls in mitigating risk to an acceptable level;
 - Any key performance indicators and targets which CAFT reports against;
 - The planned work CAFT has in place for 2016/17, the number of days it is expected that this work will take to deliver and what cashable savings these are expected to achieve; and
 - How CAFT delivers the following elements of the CIPFA Code of Practice on Counter Fraud (Managing the Risk of Fraud and Corruption):
 - Acknowledge Responsibility,
 - Identify Risks,
 - Develop Strategy,
 - Provide Resources, and
 - Take Action.
- 1.3. This report sets out the findings and recommendations arising from our work. We have raised two priority 2 and two priority 3 recommendations for management's consideration and these are detailed in the recommendations section below.
- 1.4. We would like to acknowledge the support of the CAFT Investigations Manager and members of the team.

2. Findings and Good Practise

- 2.1. The Council has a robust Anti-Fraud & Corruption Strategy that is reviewed annually by the General Purpose Audit Committee (GPAC). This anti-fraud culture is evidenced through detailed and well written policies and procedures that are easy to read and available on the intranet. The anti-fraud culture is further underpinned through the high level of support and acknowledgment received from the Council's leadership team and GPAC. The Council's leadership team demonstrate their acknowledgement of the threats of fraud, bribery and corruption with a high level statement underwritten by the Director of Governance. The zero tolerance message and tone is set out at the top of the organisation and is exemplified throughout.
- 2.2. The Council has a clear strategy for its counter fraud approach, which is supported by the policy framework it has in place. The policy framework has an Anti-Fraud and Corruption Response Plan with clear reporting lines and areas of responsibility. This is further supported by the Anti-Bribery and Anti-Money Laundering Procedures and the ICT Access Policy; all backed up by automatic pop-ups and acceptable use rules. The policies are in line with the relevant legislative requirements and are reviewed regularly. This aligns with the principals of good governance and the CIPFA Code.
- 2.3. The fraud risk strategy and response plan includes joint working. There is an effective culture of joint working and information sharing with internal and external partners, maximising the cost effectiveness of resource and expertise. We noted that CAFT resources are outsourced to neighbouring boroughs and that CAFT participates in other partnerships such as the CIPFA London Counter Fraud Hub, ASB team, parking services and Merton Trading Standards.
- 2.4. There is a strong proactive culture throughout the Council and it was noted during our discussions and meetings with staff in CAFT and various stakeholders that this is growing. The high level of work carried out and the results achieved are publicised. The Council also offer anti-fraud training and have a list of brokered services used to pitch for work and publicise CAFT's capabilities. CAFT also make use of e-learning tools to promote and train new and existing members of staff.
- 2.5. We noted that fraud risks are regularly identified and documented through the high standard and range of investigations carried out by CAFT. This was evident when reviewing current year case statistics, team meeting minutes and the reports to management and GPAC. CAFT is on target to achieve Key Performance Indicators (KPIs) and case statistics, although it was noted that financial savings are slightly down on where CAFT would like this to have been. CAFT meeting minutes highlighted that 36 cases had been accepted for investigation since the previous team meeting and that there were a further seven cases waiting to be risk scored. We note that benchmarking is difficult at the current time due to the recent move to the Single Fraud Investigation Service. We also noted that the CAFT Investigations Manager is planning to develop a fraud risk register.
- 2.6. The Council has documented areas where financial savings have been made through enhanced fraud detection. CAFT has a well-developed team of both highly experienced and relatively newly recruited investigation officers, including two financial investigators who are also

outsourced to neighbouring boroughs. During discussions and interviews with various stakeholders, we noted that the Council did identify fraud risks on a regular basis through high level case work and case reviews. Management also consider fraud risks through regular reviews and discussions at GPAC.

- 2.7. The Council has in place formal procedures for the reporting of suspected fraud and corruption and investigation issues raised. There are online reporting platforms and a hotline for the public to report concerns. CAFT has appropriate systems to capture and record reported cases.
- 2.8. There are clear procedures in place that ensure that investigations are carried out to a professional standard, fairly, legitimately and relative to the intended action. All cases reviewed were carried out to a high standard which is exemplified in the outcomes. Investigations and interviews are carried out in compliance with the relevant legislation such as PACE, CPIA and the ACPO guidelines. All investigations, allegations and outcomes are recorded on the Council's InCase case management system. A high level of knowledge and experience was demonstrated by CAFT staff during this review. We further reviewed the audit trail on a sample of cases and are confident that if another investigator had carried out an investigation on the same case, a similar outcome would be achieved.
- 2.9. All data and evidence relating to cases and outcomes is appropriately stored and retained and is only accessible by authorised personnel. The InCase case management system is password protected and maintains an audit trail and log of any access or files viewed, with every entry date and time stamped. A further level of protection is offered on internal cases where the secure access level is only granted to a particular investigator appropriate to that level. The system also has an alert and reminder system ensuring that unnecessary delays in reviewing cases is averted.
- 2.10. New Council staff are made aware of the Council's policies and procedures, and are also provided with fraud awareness training during their induction. Records are kept and staff sign off to indicate awareness of the guidance and requirements.
- 2.11. The Council make good use of DCLG funding by supporting housing related fraud and the purchase of ILATCH. ILATCH was purchased for a period of three years and is a tool used to assist the Council and the wider public in a proactive manner to prevent members of public being taken advantage of when renting private sector housing. The Council is also a pilot site for the newly formed CIPFA London Counter Fraud Hub.

3. Recommendations

- 3.1. The following table lists the recommendations arising from our work.

	Recommendation	Priority	Management Response	Responsible Officer and Deadline
1	Although risk management is evident through the high level of cases investigated, consideration should be given to developing a fraud risk register to ensure that significant current and emerging risks are considered. This will help to inform the Council's corporate risk register and assist when considering resource for future proactive plans.	2	Agreed - The Council is working with other London Boroughs to develop a fraud risk register as part of its ground breaking work as a pilot member of the London Counter Fraud Hub. This will be used by the Council to inform the corporate risk register as well as informing planning for pro-active fraud work in future years.	CAFT Investigations Manager (David Hogan) 31 December 2017
2	The Council should ensure that photographs are taken and added to tenancy audits/investigations when engaging clients, this to align with national identification standards.	2	Agreed - This will be discussed with the relevant Council division with our strong recommendation that it should be implemented.	CAFT Investigations Manager (David Hogan) To promote the recommendation by 31 March 2017
3	Although publicised internally, the Council should consider a high profile campaign using all available sources of social media to further increase fraud awareness; publish latest cases and results; and clarify how to report suspected fraud, bribery and corruption.	3	Agreed - CAFT will work with the Council's media team to develop a strategy for implementing this.	CAFT Investigations Manager 30 September 2017

	Recommendation	Priority	Management Response	Responsible Officer and Deadline
4	Although relevant counter fraud policies and procedures are reviewed regularly, the Council should consider making minor adjustments to bring these into line with the CIPFA Code (Acknowledge Responsibility, Identify Risks, Develop Strategy, Provide Resources, and Take Action).	3	Agreed - The Anti-Fraud & Corruption Strategy has now been updated to reflect the CIPFA Code and will be reviewed at GPAC on 22 March 2017.	CAFT Investigations Manager To published on line by 31 March 2017
	The Whistleblowing Policy should also be updated to make reference to the Public Interest Disclosure Act 1998.		Not agreed - The Council's Whistleblowing Policy already refers to the Act.	N/A

Our recommendations to further enhance the overall culture and environment to tackle fraud, bribery and corruption across the Council are prioritised as follows:

- Priority 1** Major organisational issues to be addressed for the attention of senior management and GPAC.
- Priority 2** Important local issues to be addressed by senior and local management in their areas of responsibility.
- Priority 3** Minor / best practice issues to be addressed by local management.

Recommendations will be fed into Internal Audit's Progress Report to monitor management feedback and implementation as required.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Appendix 1 - Terms of Reference Extract

2. Description of Planned Work

2.1. We will request from CAFT:

- Details of the number of investigations undertaken during 2015/16 and 2016/17;
- The Council's:
 - Anti-fraud policy,
 - Anti-money laundering policy,
 - Fraud response plan,
 - Bribery policy, and
 - Any other relevant policies so far as they relate to investigation of fraud and as they are identified to us;
- Details of relevant information sharing agreements and service level agreements between the Council and its partner organisations; and
- Details of the KPIs that CAFT report against and the targets which have been set for the work over the year.

2.2. We will discuss with the CAFT Investigations Manager the current position with regard to the CIPFA Code and provide a red, amber, green summary of our conclusions based on this discussion.

2.3. We will report on the progress of CAFT and presence or absence on the above mentioned items and make recommendations for the Council's consideration with regard to the strengthening policies, targets, information sharing agreements, SLAs and work plans.

2.4. If we identify any system weaknesses in the course of our work, our report will include recommendations for strengthening the control environment.

2.5. Should we identify a requirement to perform any additional procedures to those set out in 2.1 to 2.2 above, we will agree these with the Head of Governance and Assistant Director of Finance prior to undertaking further work.

2.6. At the conclusion of our work, we will provide a written report to the Assistant Director of Finance.

Appendix 2 - Gap Analysis

The terms of reference for this work required a RAG/GAP analysis between the current position of the Council and good practices in countering fraud, bribery and corruption. We have detailed the gap analysis below using the CIPFA Code as a guide and our own knowledge of good practices across the public sector. We would recommend that the Council consider the gap analysis and consider implementing actions in order to mitigate the areas identified as gaps. We would note that the scope of our work did not include an assessment of the adequacy and effectiveness of the controls in place from a counter fraud perspective.

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
Acknowledge Responsibility The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.				
A1	The organisation’s leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.	The Council’s leadership team acknowledge the threats of fraud and corruption with a high level statement underwritten by the Chief Executive Officer. Quarterly reports on latest cases and statistics are updated and reviewed by senior management and GPAC.	N/A	N/A
A2	The organisation’s leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.	The Council’s leadership team acknowledge the importance of a culture that is resilient to the threats of fraud, bribery and corruption and have undertaken to have any gaps identified through employing an independent assessor and to further identify areas where	N/A	N/A

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
		improvements can be made. This will provided a non-biased overview of the culture of the organisation.		
A3	The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.	<p>The Council identifies fraud risks on a regular basis through high level case work and case reviews. Management and GPAC receive quarterly reports on latest cases and statistics.</p> <p>A corporate risk register is in place and is managed by the Head of Risk and Corporate Programs. A fraud risk register is planned for development.</p>	N/A	N/A
A4	The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.	<p>The Council seeks to maintain resilience to fraud, bribery and corruption through policies and procedures.</p> <p>The Council identifies fraud risks on a regular basis through high level case work and case reviews. Management and GPAC receive quarterly reports on latest cases and statistics.</p> <p>The Council have documented areas where financial savings through investigations have been</p>	N/A	N/A

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
		made. Two Financial investigators are also outsourced to neighbouring boroughs.		
B Identify Risks Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.				
B1	Fraud risks are routinely considered as part of the organisation’s risk management arrangements.	The Council identifies fraud risks on a regular basis through high level case work and case reviews. Management and GPAC receive quarterly reports on latest cases. A corporate risk register is in place and is managed by the Head of Risk and Corporate Programs. A fraud risk register is planned for development. Management do however consider risks and this is discussed in meetings.	The Council should give consideration to developing a fraud risk register to ensure that significant current and emerging risks are considered. This will help to inform the Council’s corporate risk register and assist when considering resources for future proactive plans. The CAFT Investigations Manager has requested templates to assist in developing a fraud risk register.	
B2	The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.	The Council’s leadership team acknowledge the threats of fraud, bribery and corruption in a high level statement underwritten by the Chief Executive Officer and the Head of Governance. An online statement of zero	N/A	N/A

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
		tolerance and what is expected by members and colleagues includes declarations of interest and the Nolan principals of public life. A recent case was provided and this demonstrated a zero-tolerance approach.		
B3	The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.	The Council is currently adapting to and following the CIPFA Code. Protecting the Public Purse and Fighting Fraud Locally publications are reviewed and fraud losses are calculated accordingly. Grant Thornton are also used to calculate fraud losses and these are publically available. Management and GPAC receive quarterly reports on latest cases and statistics.	N/A	N/A
B4	The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.	A corporate risk register is in place and is managed by the Head of Risk and Corporate Programs. Communication between the risk department and CAFT is good and other risks are often considered.	N/A	N/A

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
C Develop a Strategy An Organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.				
C1	The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation’s acknowledged responsibilities and goals.	<p>The Council has a robust Anti-Fraud & Corruption Strategy that is reviewed annually by GPAC. This anti-fraud culture is evidenced through detailed and well written policies and procedures that are easy to read, easily available and updated and reviewed to match legislation. We also noted a Prosecution of Staff Policy.</p> <p>Further evidence of the anti-fraud culture was noted through meetings and on-going discussions amongst CAFT members of staff who have volunteered to take on extra roles in developing risk registers and proactive planning.</p>	N/A	N/A
C2	The strategy includes the organisation’s use of joint working or partnership approaches to managing its risks, where appropriate.	The Anti-Fraud & Corruption Strategy and the Response Plan includes joint working. There is an effective culture of joint working and information sharing with external and internal partners to make best use of resources and	N/A	N/A

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
		<p>expertise.</p> <p>We noted that CAFT resources are outsourced to neighbouring boroughs. CAFT participates in partnerships such as the London Counter Fraud Hub, ASB team, parking services and Merton Trading Standards.</p>		
C3	<p>The strategy includes both proactive and responsive approaches that are best suited to the organisation’s fraud and corruption risks.</p> <p>Proactive and responsive components of a good practice response to fraud risk management are set out below:</p>	<p>The Anti-Fraud & Corruption Strategy and the Response Plan makes best use of current resources.</p> <p>We noted that whilst CAFT is strong in reacting to the Council’s fraud and corruption risks, it is also proactive in creating awareness of outcomes achieved.</p>	N/A	N/A
	Proactive			
	<p>Developing a counter-fraud culture to increase resilience to fraud.</p>	<p>An anti-fraud culture is evident and growing constantly with discussion and reports to management meetings and GPAC. Management and GPAC receive quarterly reports on latest cases and statistics.</p> <p>CAFT publicise and offer anti-fraud training which is managed by</p>	N/A	N/A

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
		Organisational Development. A list of brokered services is published and used to pitch for work and publicise capabilities. E-learning modules are used.		
	Preventing fraud through the implementation of appropriate and robust internal controls and security measures.	The Council currently implements robust controls and security measures which are monitored by a programme of internal audit work. Our review of a recent abuse of position case by a member of staff demonstrated strong internal controls, security and collaborative working.	The Council should give consideration to ensuring that photographs are taken and added to tenancy audits/investigations when engaging clients, this to align with national identification standards.	
	Using techniques such as data matching to validate data.	The Council participates in the National Fraud Initiative and is a pilot site for the CIPFA London Counter Fraud Hub. An annual review of council tax discounts is outsourced to Northgate, this providing an end to end service demonstrating savings. Data is also matched through Call Credit.	N/A	N/A
	Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the	The Council publicise anti-fraud attempts within the organisation. CAFT produce a quarterly	The Council should give consideration to a campaign using all available sources of social	

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
	actions it takes against fraudsters.	newsletter 'Fraud Defence'. There are also press releases when needed.	media to further increase fraud awareness; publish latest cases and results; and clarify how to report suspected fraud, bribery and corruption.	
	Responsive			
	Detecting fraud through data and intelligence analysis.	As noted above, various data matching exercises are currently in use.	N/A	N/A
	Implementing effective whistleblowing arrangements.	To ensure that concerns or complaints from the public can be raised, the Council has adopted a formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. In addition, the Council has adopted a fraud hotline. A Whistleblowing Policy has been adopted to enable staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified. In addition, the Council has adopted a whistleblowing hotline supported by a third sector	The Council should give consideration to updating the Whistleblowing Policy to make reference to the Public Interest Disclosure Act 1998.	

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
		<p>partner. These arrangements are part of ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained in the Council.</p> <p>Case examples viewed: Registrar case and a procurement fraud case received via the whistleblowing hotline.</p>		
	Investigating fraud referrals.	<p>We reviewed a mix of cases investigated by CAFT, including joint working with other boroughs. A number of insurance fraud and trading standards cases have also been investigated.</p> <p>CAFT demonstrates a strong mix of investigative experience and produced a high standard of work throughout this year and the previous year.</p>	N/A	N/A
	Applying sanctions, including internal disciplinary, regulatory and criminal.	<p>We identified clear examples of CAFT applying sanctions and seeking redress, including recovering of money where possible.</p> <p>Management and GPAC receive quarterly reports on latest cases and statistics.</p>	N/A	N/A

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
	Seeking redress, including the recovery of assets and money where possible.	The Council have two Financial Investigators who are outsourced to neighbouring boroughs. This work has been successful in the recovery of compensation and confiscation where the Council's assets have been effected.	The Council should give consideration to a campaign using all available sources of social media to further increase fraud awareness; publish latest cases and results; and clarify how to report suspected fraud, bribery and corruption.	
C4	The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.	The Anti-Fraud & Corruption Strategy and the Response Plan defines clear lines of responsibility and accountability. Senior management and GPAC provide oversight and oversee the deliverables.	N/A	N/A
D Provide Resources The organisation should make arrangements for appropriate resources to support the counter fraud strategy.				
D1	An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.	Annual reports are signed off by the senior management and GPAC taking the budget and resources into consideration. Budget responsibility currently sits with senior management, but will soon fall under the CAFT Investigations Manager. Income is received from providing services to other boroughs.	N/A	N/A

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
		The current team provides a wide range of cover in many fields of expertise and is working to near capacity. Using a fraud risk register, consideration should be given to the level of resource required to combat fraud, bribery and corruption in further developing an anti-fraud culture.		
D2	The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.	CAFT has a well-developed team of both highly experienced and relatively new investigation officers, including two financial investigators who are also outsourced to neighbouring boroughs. There is a strong element of trust and team spirit evident amongst all.	N/A	N/A
D3	The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.	The Council takes a tough stance on fraud and as such allows CAFT and internal audit staff the access they require for investigations, provided this is reasonable and proportionate.	N/A	N/A
D4	The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.	The Council currently work with the police and other agencies. MOUs are in place and will be developed to reflect changing	N/A	N/A

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
		<p>practices. CAFT is currently working with churches to gain nomination rights for outcomes.</p> <p>ILATCH has been purchased for a period of three years and is a tool used to assist the Council and the wider public in a proactive manner to prevent members of public being taken advantage of when renting private sector housing.</p> <p>The Council is also a pilot site for the newly formed CIPFA London Counter Fraud Hub.</p>		
<p>E Take Action The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.</p>				
<p>E1</p>	<p>The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy.</p> <p>As a minimum the framework includes:</p> <ul style="list-style-type: none"> • Counter fraud policy; • Whistleblowing policy; • Anti-money laundering policy; • Anti-bribery policy; 	<p>The Council has a robust Anti-Fraud & Corruption Strategy and a strong commitment to counter fraud.</p> <p>The relevant policies and procedures and the Response Plan are up to date and reviewed regularly.</p>	<p>Although relevant counter fraud policies and procedures are reviewed regularly, the Council should give consideration to making minor adjustments to bring these policies and procedures into line with the CIPFA Code (Acknowledge Responsibility, Identify Risks, Develop Strategy, Provide Resources, and Take Action).</p> <p>The Council should also give</p>	

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
	<ul style="list-style-type: none"> • Anti-corruption policy • Gifts and hospitality policy and register; • Pecuniary interest and conflicts of interest policies and register; • Codes of conduct and ethics; • Information security policy; and • Cyber security policy. 		consideration to updating the Whistleblowing Policy to make reference to the Public Interest Disclosure Act 1998.	
E2	Plans and operations are aligned to the strategy and contribute to the achievement of the organisation’s overall goal of maintaining resilience to fraud and corruption.	<p>Fraud awareness is a module on the induction program.</p> <p>Continuing professional development of CAFT staff is recorded on appraisals.</p> <p>We noted that CAFT staff are currently undertaking training in the writing of notices and also advocacy courses.</p>	N/A	N/A
E3	Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.	<p>The Council takes part in the National Fraud Initiative, a data matching exercise run by the Cabinet Office and also takes part and contributes to the Tenancy Fraud Forum.</p> <p>The Council run its own forum called the Croydon Fraud and</p>	N/A	N/a

	Description	Current Position	Suggested Action	Responsible Officer and Deadline
		<p>Enforcement forum quarterly. This is supported by the police and other agencies.</p> <p>The Council is also a pilot site for the newly formed CIPFA London Counter Fraud Hub.</p>		
E4	<p>Providing for independent assurance over fraud risk management, strategy and activities.</p>	<p>We were contracted to conduct an independent fraud review.</p> <p>A corporate risk register is in place and is managed by the Head of Risk and Corporate Programs.</p> <p>Communication between the risk department and CAFT is good and other risks are often considered.</p>	N/A	N/A
E5	<p>There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy.</p> <p>Conclusions are featured in the annual governance report.</p>	<p>Management and GPAC receive quarterly reports on latest cases and statistics.</p> <p>The Annual Governance Statement makes reference to the Council's anti-fraud activities.</p>	N/A	N/A

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General Purposes & Audit Committee

Annual Report 2016/17

Forward

I am delighted to present this year's annual report on the work of the General Purposes and Audit Committee for 2016-17. The report highlights the important work of the committee over the last year across the breadth of its remit including internal and external audit, risk management, internal control, tackling fraud and financial reporting.

During the course of the year the committee has looked into some areas in more depth, to ensure that proper plans exist to strengthen good governance and manage risk. Areas examined included such diverse subjects as treasury management, contract management, ICT provision to members and the challenges and risks facing the People Department. More information on these and other subjects can be found in the minutes of the committee on the Council's website.

During a period of significant reductions in the resources available to the council, the work of this committee becomes even more important in ensuring that the use of those resources is achieved in a well controlled environment.

This report offers me an opportunity to show my appreciation to all committee members including independent members, reserve members, officers and our external auditors who have all contributed and helped me to make our meetings meaningful and purposeful. I would also like to thank Councillor Kathy Bee for supporting me as Vice-Chair over the last year.



Cllr Karen Jewitt
General Purposes & Audit Committee Chair



Cllr Kathy Bee
Vice-Chair

Introduction

1. The General Purposes & Audit Committee (the Committee) has a wide ranging brief that underpins the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including audit, anti-fraud and the financial reporting frameworks. It also deals with a limited number of matters not reserved to the Council or delegated to another Committee and related to a non-executive function. The Committee was formed in 2014, replacing the former Corporate Services Committee and the Audit Advisory Committee.
2. This report details the work of the Committee during 2016/17, outlining the progress in:
 - Internal Control;
 - Risk management;
 - Internal Audit;
 - Anti-fraud;
 - External Audit;
 - Financial reporting
3. Table 1 details the Committee Members during 2016/17. Members have a wide range of skills and bring both technical and professional experience to the role. All the Members have some experience in relation to the governance processes they challenge. This provides a solid foundation from which to develop the Committee's role.

Table 1: Members of the General Purposes & Audit Committee 2016/17

Member	Role
Councillor Karen Jewitt	Chair
Councillor Kathy Bee	Vice-Chair
Councillor Jeet Bains	Member
Councillor Jan Buttinger	Member
Councillor Jason Cummings	Member
Councillor Mike Fisher	Member
Councillor Sherwan Chowdhury	Member
Councillor Patricia Hay-Justice	Member
Councillor Humayun Kabir	Member
Councillor Joy Prince	Member
Mr Muffaddal Kapasi	Non-Elected, non-voting Independent Member

Mr Nero Ughwujabo	Non-Elected, non-voting Independent Member
Reserve Members: Councillors: Councillors: Carole Bonner, Pat Clouder, Maddie Henson, Steve Hollands, Bernadette Khan, Dudley Mead, Andrew Rendle, Donald Speakman, James Thompson and John Wentworth.	

4. Independent non-voting Members play an important part in the deliberations of the committee and bring useful additional skills and external perspective. The committee would like to express its thanks to those people who have given of their time during the year to work alongside the elected Members.
5. This report details the key successes and work of the Committee in 2016/17. The Committee has overseen the continued transformation and improved performance in all areas of its responsibilities and has actively contributed to leading and shaping those changes. Key achievements include:
 - A continued improvement in the results from internal audits carried out in the Borough's maintained schools;
 - Continued high levels in internal audit recommendation implementation across the Council;
 - Further strengthening the Council's Anti-fraud culture with continued strong performance of the Corporate Anti-fraud team;
 - The continued evolution of the Corporate Anti-Fraud team following the national changes to the investigation of housing benefit fraud;
 - Continued high performance in the data matching investigations for the National Fraud Initiative;
 - Further development of a London-wide audit and anti-fraud public/private partnership led and hosted by Croydon Council. This now has 33 councils as members and more looking to join.

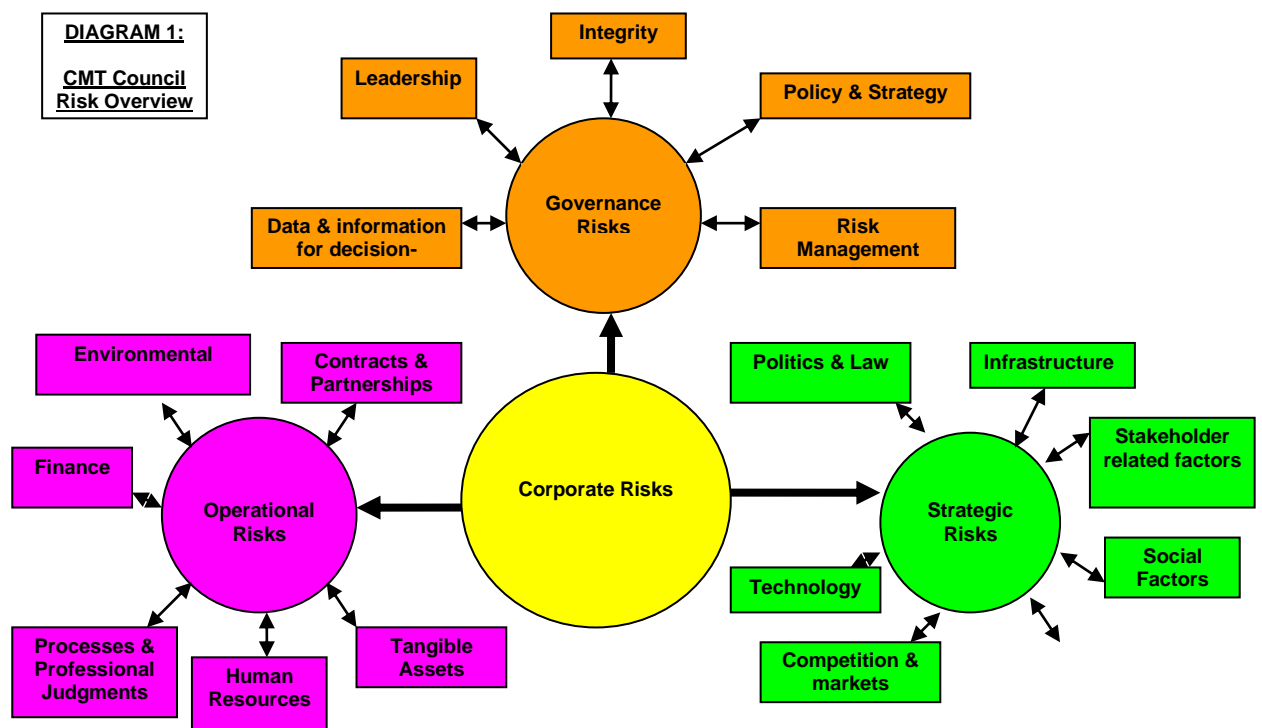
Internal Control

6. A pivotal role of the Committee is its work in developing the Council's internal control and assurance processes culminating in the Annual Governance Statement (AGS). The Accounts and Audit Regulations 2015 require the Council to review the effectiveness of its systems of internal control and publish the AGS each year alongside the financial statements. The information for the AGS is generated through the Council's Assurance framework (Appendix 1) including:
 - Risk management;
 - Internal Audit;
 - Anti-Fraud programme;
 - External Audit.

7. The Committee leads this review by receiving, at every meeting reports on these services areas.
8. To support its understanding of issues relating to internal control and to emphasise its commitment to a robust internal control environment, the committee invites officers to attend its meetings to give briefings in relation to strategic risks and what is being done to mitigate them. It also invites officers to give explanations where significant issues are identified through internal audits.

Risk Management

9. The Council has an excellently performing, award winning risk management framework. This includes a quarterly reporting process for the Department Leadership Teams (DLT) and to the Council's Governance Board, where the Council's key strategic risks are identified and reviewed ensuring integration between the risk management framework and the strategic, financial and performance management frameworks using the reporting framework detailed in Diagram 1.



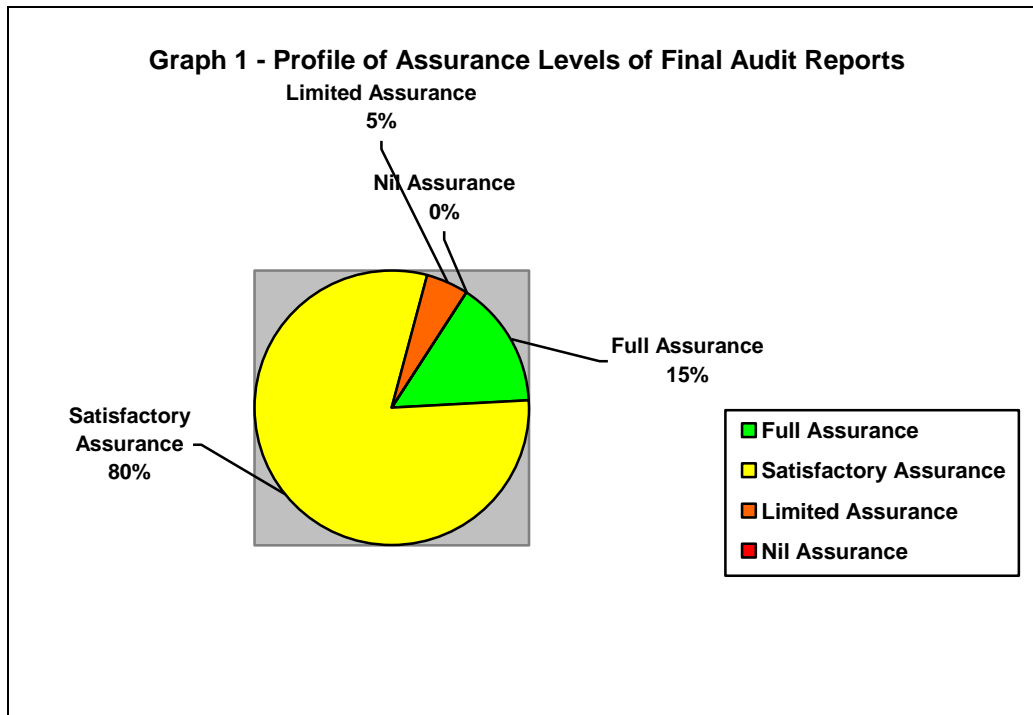
(Appendix 2 Definitions)

10. The reporting process to Department Leadership Teams and to the Council's Governance Board is complimented by the Committee reviewing the Council's key risks. At all Committee meetings Members review the current risks being reported to DLTs. There is in-depth review and challenge in relation to the risks presented and crucially the risk management framework underpinning it.

11. The Committee has monitored the continued development of the council-wide, risk register system including a training programme for all risk owners. The content of the registers maintained on the system is refreshed quarterly by a facilitated risk review and challenge session with each Director and their management team.
12. The software and approach to risk management is used where appropriate to manage the challenges associated with the delivery of significant projects. As part of a revised approach to corporate programme management an extensive development programme has been delivered to continue to ensure all significant projects have a risk register set up and facilitate training and support for all project officers in risk management methodologies in relation to projects and programmes.
13. The Internal Audit programme continues to be based on the risk registers and Internal Audit has view only access to assist its risk based audit approach, ensuring it is dealing with the most up to date information. Following audit reviews, the resultant report is mapped against the identified risk on the risk register. This gives a complete picture of how the Council is managing the challenges it faces in delivering its objectives.

Internal Audit

14. The Council's internal audit service is outsourced to Mazars Public Sector Internal Audit Limited and the current contract began on 1st April 2008 and will end on 31st March 2018.
15. The alignment of the audit programme to the Council risk management framework has focused internal audit on the key challenges the Council faces and therefore, the issues that if not managed, could lead to strategic objectives not being achieved. The enhanced focus on these key challenges has continued to improve the value added by the service and is demonstrated in the increased strategic engagement of Directors and departmental leadership teams in the audit programme.
16. Graph 1 shows that at the time of writing 95% of the audits have full or satisfactory assurance compared to 77% for the same period last year. Council wide, the performance in audits has significantly improved against the previous year.



17. To help improve internal audit results and internal control more generally the Council's Governance Team continues to organise and lead, with support from other colleagues, a series of workshops under the banner of 'Doing the Right Thing' to raise awareness of key corporate policies and procedures. Over the last few years around 1000 managers and staff have attended these workshops. Immediate feedback shows that these have been very well received. Work is now being undertaken to provide training and awareness via the Council's new e-learning platform in the hope that this will enable more staff to benefit from this more flexible delivery.

18. A key measure of the Internal Audit service's effectiveness is the action taken in implementing audit recommendations. The target for implementation of recommendations is 80% for priority 2 and 3 recommendations and 90% for priority 1 recommendations. The stringent approach to the follow up process has continued with tight timescales for follow up work linked to the level of assurance.

19. Table 2 details the performance in this area in all follow up work completed since 1st April 2011. Indications are that the targets for recommendations for 2015/16 will also be achieved when the follow up programme is completed over the coming year.

Table 2: Implementation of Audit Recommendations to date

	Target	2011/12	2012/13	2013/14	2014/15	2015/16
Implementation of priority one recommendations at follow-up	90%	100%	100%	100%	100%	59%
Implementation of all recommendations at follow-up	80%	93%	93%	95%	89%	70%

20. In 2015/16, Internal Audit completed 100% of field work for the plan in-year for the tenth successive year and will do the same for 2016/17. The main performance indicators are detailed in Table 3.

Table 3: Internal Audit Performance 2016/17 year

Performance Objective	Annual Target	Actual performance	RAG
% of planned 2015/16 audit days delivered	100%		G
% of 2015/16 planned draft reports issued	100%		G
% of draft reports issued within 2 weeks of exit meeting with the Client	85%		G
% of qualified staff engaged on audit	40%		G

Anti-Fraud

21. The Council has continued with its plan to improve counter fraud awareness across the Council and to strengthen working with our partners. This has included:

- Counter Fraud quarterly newsletter for Members and staff communicating key counter-fraud messages, issues and cases;
- Further developing the Croydon Fraud & Enforcement Forum, a regional forum bringing all key partners together across the public sector to work together to combat fraud – acknowledged as an example of good practice; and
- Implementing a learning and development programme, including face to face and e-learning opportunities.

22. As a result of this work, high and improved levels of awareness of fraud have been achieved generally across the organisation over recent years. This has been evidenced by the level of referrals to the Corporate Anti-Fraud Team.

National Fraud Initiative (NFI)

23. The NFI is a biennial data matching exercise undertaken by the Cabinet Office (previously by the Audit Commission). This is a national exercise and every Council in England and Wales participates, along with many other public sector bodies. The exercise has legal powers to undertake data-matching across the public sector to prevent fraud and corruption. The Council's participation in the most recent round has so far identified £12k, for which recovery action will be taken where possible.

Corporate Anti-Fraud Team performance

24. By the end of January 2017, the team had identified in total £989k with 101 successful outcomes including the recovery of 14 council properties and 4 fraudulent Right to Buy applications stopped. With the current pressure on available housing in the borough, these actions have released properties for use by those who have genuine need.
25. CAFT in 2016/17 has continued to have several complex cases requiring a multi-agency approach to deal with the issues of fraudulent activity identified. These have resulted in some very good local press coverage. The team has also recently featured in the prime-time BBC1 programme 'Britain of the Fiddle', which over two episodes followed a complex case through its ups and downs to a satisfactory conclusion and a significant prison sentence for the offender.
26. Croydon continues to lead in setting the agenda relating to public sector anti-fraud activity. This is achieved nationally, regionally and locally by taking a leading role in a number of organisations, including CIPFA's Better Governance Forum, The National Anti-Fraud Network, London Audit Group, Croydon Fraud & Enforcement Forum and the London Audit & Anti-Fraud Partnership which is organised and hosted by Croydon Council. Croydon is also now a proof of concept authority for the London Counter fraud Hub which will ultimately be a valuable new tool in the team's armoury, making use of cutting edge data analytics for the detection of fraud.

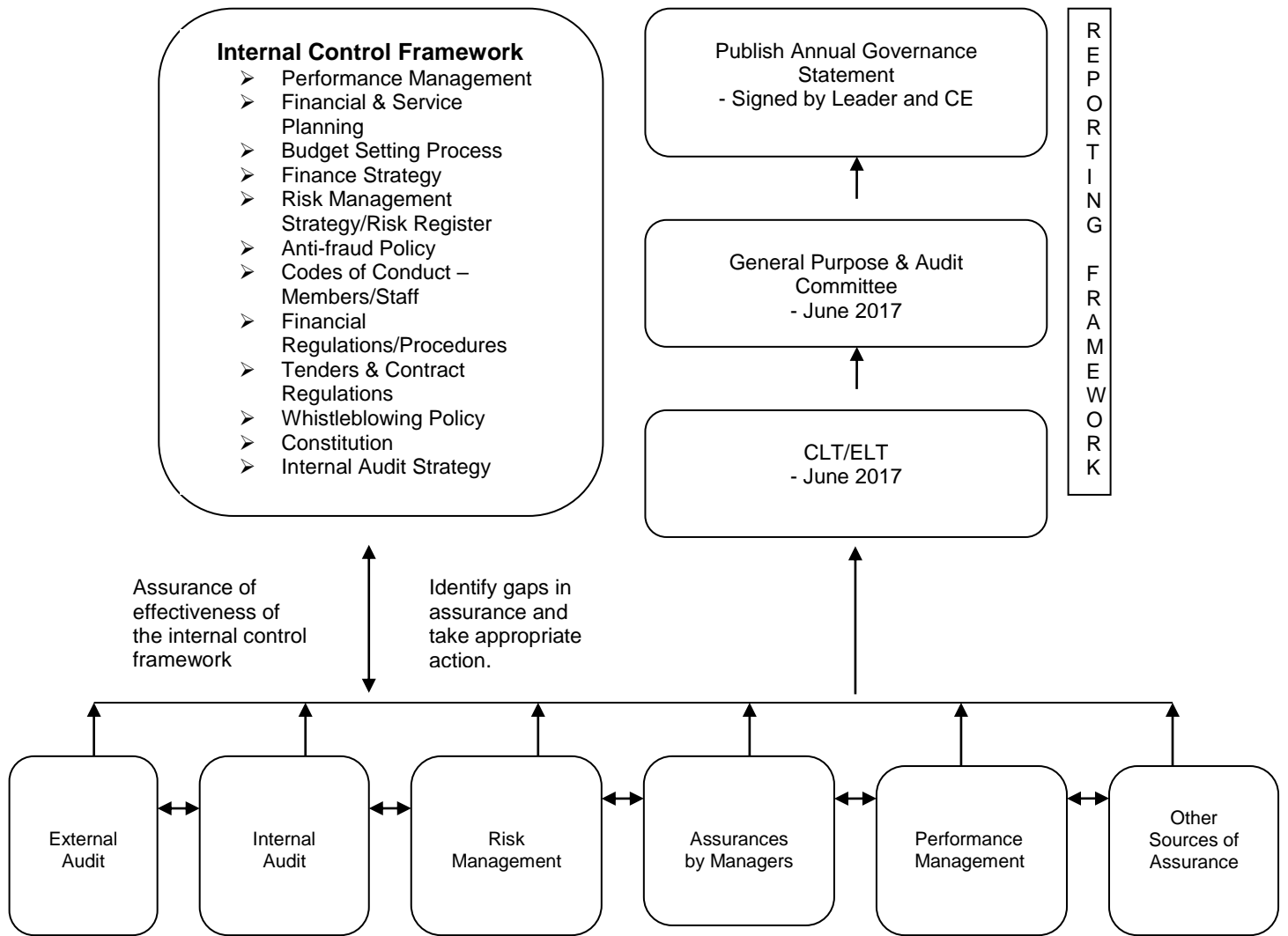
External Audit

27. The Council's external audit service is currently provided by Grant Thornton under a contract originally let by the Audit Commission. They work in partnership with the Council ensuring its governance processes are effective. They have been invited and attended all parts of the Committee meetings. At every meeting they prepare an external audit progress update for the Committee to review and discuss any issues arising.

Financial Reporting

28. In June 2016, the Committee reviewed the annual accounts in detail asking a number of questions before approving them for audit. The accounts came back again before the Committee in September before being published. This is done annually and will be done again over the coming year.

Council Framework for the Annual Governance Statement



COUNCIL ASSURANCE FRAMEWORK

- | | | | | | |
|---|--|---|---|--|--|
| <ul style="list-style-type: none"> ➤ Annual plan ➤ Reports to those charged with governance ➤ Scrutiny of report at General Purposes & Audit Committee ➤ Audit opinion ➤ Ad hoc projects | <ul style="list-style-type: none"> ➤ Head of Internal Audit's opinion expressed in reports to General Purposes & Audit Committee ➤ Operates under dedicated contract specifically setting out terms of reference ➤ Annual plans, member reviewed ➤ Plan aligned to Council's Risk-register ➤ Fraud investigation ➤ Compliance testing ➤ Review of the effectiveness of Internal Audit | <ul style="list-style-type: none"> ➤ On-going Risk management training for new staff ➤ Embedded in project management and service planning ➤ RM champion, General Purposes & Audit Committee and Council scrutiny of the RM processes and outcomes ➤ RM software package cascaded throughout council to all risk owners ➤ Strategic risks drive and shape the CLT agenda ➤ Review of partnerships | <ul style="list-style-type: none"> ➤ Directors assurance statements ➤ Project specific reports to CLT and Members | <ul style="list-style-type: none"> ➤ Embedded system ➤ Operates throughout organisation ➤ Internal & external reviews ➤ Action orientated ➤ National/local KPI's ➤ Periodic progress reports ➤ Performance Management function ➤ Scrutiny Function | <ul style="list-style-type: none"> ➤ Fraud reports and investigations ➤ Reports by inspectors ➤ Post implementation reviews of projects ➤ Working party reports ➤ Ombudsman reports ➤ Contracts & Commissioning Board ➤ Strategic Finance Forum ➤ Corporate Programme Board ➤ Fraud & Enforcement Forum |
|---|--|---|---|--|--|

Categories of Risk

	Source of Risk	Risk Examples
STRATEGIC (external drivers)	Infrastructure	Functioning of transport, communications and utilities infrastructure. The impact of storms, floods, pollution. Development in Borough render infrastructure inadequate.
	Politics & Law	Effects of changes of government policy, UK or EC legislation, national or local political pressure or control, meeting the administration's manifesto commitments.
	Social Factors	Effects of changes in demographic, residential and social trends on ability to deliver objectives. Excess demands on services.
	Technology	Capacity to deal with obsolescence and innovation, product reliability, development and adaptability or ability to use technology to address changing demands.
	Competition & markets	Affecting the competitiveness (cost & quality) of the service &/or ability to deliver Best Value and general market effectiveness.
	Stakeholder-related factors	Satisfaction of: citizens, users, central and regional government and other stakeholders regarding meeting needs and expectations.
	Environmental	Environmental consequences of progressing strategic objectives (eg in terms of energy efficiency, pollution, recycling emissions etc.)

OPERATIONAL (internal drivers)	Finance	Associated with accounting and reporting, internal financial delegation and control, failure to prioritise or allocate budgets. Insufficient resources or lack of investment.
	Human Resources	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, reliance on consultants, employment policies, health & safety, and absence rates. Migration of staff to contact centre.
	Contracts & Partnerships	Failure of contractors to deliver services or products to the agreed cost & specification. Issue surrounding working with agencies. Procurement, contract and relationship management. Overall partnership arrangements, eg for pooled budgets or community safety. PFI, LSVT and regeneration. Quality issues.
	Tangible Assets	Inadequate building/assets. Security of land and buildings, safety of plant and equipment, control of IT hardware. Issue of relocation.
	Environmental	Relating to pollution, noise or the energy efficiency of ongoing operations.
	Processes & professional judgements	Errors and omissions associated with professional judgement. Inspection compliance, project management, performance management, benefits system, environmental management system (EMS). Not achieving targets, failure to implement agendas and service failure. Also risks inherent in professional work.

GOVERNANCE	Integrity	Fraud and corruption, accountability and openness, legality of actions and transactions and limits of authority.
	Leadership	Reputation, publicity, authority, democratic renewal, trust and identity.
	Policy & strategy	Ensuring clarity of purpose and communication. Policy planning, community planning and monitoring and managing overall performance. Not seeking or following advice from the centre.
	Data & information for decision making	Data protection, data reliability and data processing. Information and communication quality. Effective use and interpretation of information. Control of data and information. E-government and service delivery. Inappropriate and/or lack of software. Storage issues.
	Risk Management	Incident reporting and investigation, risk measurement, evaluation and monitoring. Internal Control and Business Continuity Issues.

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 22 March 2017
AGENDA ITEM:	11
SUBJECT:	Corporate Risk Register
LEAD OFFICER:	Executive Director Resources & S151 Officer
CABINET MEMBER	Councillor Simon Hall, Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>This report presents the corporate risk register as at March 2017 as part of the General Purposes and Audit Committee's role of overseeing the risk management framework and receiving assurance that significant corporate (Red) risks are identified and mitigated by the organisation. This process will ensure that the risk management function will continue to contribute to the achievement of the Council's vision, key priorities and objectives.</p> <p>In line with the Council's commitment to openness and transparency, the corporate risk report will appear in Part A of the agenda unless there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).</p>	
FINANCIAL SUMMARY: No additional direct financial implications.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1	RECOMMENDATIONS
1.1	The Committee is asked to: Note the contents of the corporate risk register as at March 2017

2. EXECUTIVE SUMMARY

- 2.1 The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at March 2017.

3. DETAIL

Risk Register Report

- 3.1 The register presented details all the current corporate risks rated at a total risk score of 20 and above (Red Risks).
- 3.2 Since the register was last considered by Members, no risks have been escalated to red status.

The following risks have been de-escalated since the report was last considered by Members:

- CFLCS0034: Changes in funding for the Dedicated Schools Grant and Education Services Grant. The current assessment by officers is that the impact of these changes will be less than £5M and are assessed at medium.
- 3.3 In line with the Council's commitment to openness and transparency, the register will appear with the corporate risk report in Part A of the agenda unless, in accordance with the Access to Information Procedure Rules in the Council's Constitution there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).
- 3.4 It should be noted that some of the grounds for exemption from public access are absolute. However, for others such as that in para.3, 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)', deciding in which part of the agenda they will appear, is subject to the further test of whether, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

4. FINANCIAL CONSIDERATIONS

- 4.1 There are no additional financial considerations arising from this report.

(Approved by Lisa Taylor –Director of Finance, Investment & Risk & Deputy S151 Officer)

5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 5.1 The Council Solicitor advises that there are no additional legal considerations arising from this report.

(Approved by: Jacqueline Harris-Baker, Acting Director of Law and Acting Monitoring Officer)

6. HUMAN RESOURCES IMPACT

6.1 There are no additional Human Resources implications arising from this report.

(Approved by Jason Singh, HR Business Partner on behalf of Tricia Palmer, Director of Human Resources)

7. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

7.1 None

8. RISK ASSESSMENT

8.1 No further risk issues other than those detailed in the report.

9. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

9.1 Information contained in the Council’s Risk register or held in relation to the Council’s risk management procedures may be accessible under the Freedom of Information Act subject to the application of any relevant exemptions, such as commercial sensitivity and whether disclosure was in the ‘public interest’.

CONTACT OFFICER: Malcolm Davies,
Head of Risk & Corporate Programme Office
Ext 50005

BACKGROUND DOCUMENTS: None

APPENDICES: Appendix 1 – Corporate Risk Register

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Corporate Risk Register: Red Risks

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
CFLSCF0015 Lewis, Ian	<p>Risk of continuing rise in unaccompanied (minors) asylum seekers where there is a statutory obligation to provide care/housing and a reduction in Home Office funding for them and the risks of placing children we do not know in placements outside of the borough . There are additional increases in relation to trafficked children and missing children.</p> <p>There are challenges being faced in the successful implementation of the National Dispersal Scheme and Immigration Bill.</p>	<p>Significant service and staff resources pressures, with pressures on placement supply in-house and in the independent sector, and pressures on school places and LAC health services.</p>	<p>Peacock, Barbara People Department</p>	<p>Continued work with UKBA to ensure that only appropriate young people are placed.</p> <p>increased use of the rota to place young people in other boroughs</p>	5	4	20	<p>Additional commissioning arrangements for Health services.</p> <p>Further engagement with Home office and Association of Directors of Children Social Services</p> <p>Implementation of the National Dispersal Scheme following closure of Calais camps</p> <p>Work to realise opportunity presented by the Immigration Bill and formal system for dispersing unaccompanied child migrants introduced by central government</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
DASHHN0039 Meehan,Mark	Risk that lack of supply of temporary accommodation and affordable private and public sector accommodation worsens, increasing use and costs of emergency accommodation and resulting in further budget pressures. (Risk jointly owned with Mark Fowler Gateway Services)	<p>Additional cost to General Fund due to increased spending on emergency and temporary accommodation.</p> <p>Households potentially living in unsuitable accommodation with consequent negative impacts on their health and wellbeing.</p> <p>Risk of increased of homelessness or risk of breach of statutory obligations regarding use of shared emergency accommodation for more than six weeks .</p> <p>Potential for legal action against Council and reputational damage.</p> <p>Greater difficulty in placing tenants within the private rented sector.</p> <p>Risk of people not moving on from temporary accommodation</p>	Peacock, Barbara People Department	<p>Additional £1.4M funding secured by Gateway services division for further preventative work</p> <p>Development of Pan London initiative (London Councils) to achieve VFM on nightly B&B rates</p> <p>Establishment of Homelessness Task Group</p> <p>Establishment of Service In Year Budget Tracking Board to monitor progress of the in-year spend, working to achieve a balanced budget year end. This includes reviewing the progress and impact of the planned activity to reduce spend and oversee progress on developing and implementing the approach to demand management including an action plan identifying activity to reduce the in year spend, a dashboard which details information on spend and demand and a list of clients including length of provision, cost of provision, date of last review and relevant plans for alternative/different provision.</p>	5	4	20	<p>Continue working with the EY Demand Management programme aiming to reduce presenting as homeless by 25%</p> <p>Effective Use of Housing Revenue Account</p> <p>Expanding temporary accommodation programme. On going review of use of housing stock to balance out need for longer term tenancies whilst meeting temporary accommodation needs</p> <p>Further work of Gateway team and Family link workers to prevent demand for temporary and emergency accommodation</p> <p>Lobbying Central Government on local housing allowance</p> <p>Special purpose vehicle option being explored to further develop options</p> <p>Working up business cases for the procurement of private sector accommodation to reduce reliance on shared B&B accommodation including permitted development properties</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				<p>Monthly temporary accommodation strategy meeting.</p> <p>New Allocations Policy and Tenancy Strategy</p> <p>Procurement of temporary accommodation outside of the Borough when appropriate</p>							
DASHHN0043 Meehan, Mark	<p>Affordable housing: Challenge to future supply due to:</p> <p>i) changes in housing market resulting in new developments not including housing/affordable housing element</p> <p>ii) reduced levels of affordable housing achieved through planning obligations (such as s106s and CIL) because of difficulty with viability issues</p> <p>iii) reduced ability to deliver affordable housing through the new Homes & Community Agency Funding and delivery model due to reduced grant funding</p> <p>iv) local market dynamics whereby private sector landowners/developers may follow alternative development uses, e.g., commercial uses or temporary uses</p> <p>v) Housing and Planning Act implications still not completely clear for example 'higher value levy' on council owned housing stock may result in housing being sold off.</p> <p>Moved from Place risk register - jointly owned risk but ownership lies here</p>	<p>Shortage of affordable housing to meet urgent housing needs and increasing use of temporary accommodation and B&B for homeless households, with negative financial and PR implications;</p> <p>Less mixed tenure schemes due to growing reliance on 100% affordable housing schemes;</p> <p>Difficulties developing new low cost home ownership schemes.</p>	Peacock, Barbara People Department	<p>Actively manage programme - identify works and deal with issues impacting on scheme delivery.</p> <p>Brick by Brick development company currently reviewing a number of sites</p> <p>Change in planning conditions increasing the requirement for affordable housing from 15% to 30%</p> <p>Focus work on schemes providing greatest mixed tenure with affordable housing output.</p> <p>Housing enabling function set up</p> <p>Local plans supported by planning and strategic transport division</p>	5	4	20	<p>Continue engagement with the new Mayor of London to achieve sign off of new schemes</p> <p>Engage more closely with land owners/developers and map the ownerships of sites in key areas</p> <p>Explore links between affordable rent and PRS models to enable developments to come forward</p> <p>Housing delivery paper to address and endorse delivery plan with developers.</p> <p>New post identified in the spacial planning team with affordable housing expertise</p> <p>Robustly enforce minimum affordable housing requirement on s106 sites in line with Core Strategy</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				<p>Maintain and strengthen partnership arrangements with registered providers. E.g. through one to one meetings and new strategic working group.</p> <p>Proactive approach engaging registered providers, owners, developers etc</p> <p>Registered providers of social housing able to bid for sites</p> <p>Setup of Croydon LB housing company to operate outside borrowing restrictions of HRA</p> <p>Submit or support bids for new funding to support additional affordable housing e.g. Mayor's Housing Covenant</p>				Submit or support bids for new funding to support additional affordable housing e.g. Mayor's Housing Covenant			
DASHPD0043 Solanki, Pratima	<p>There is a risk that the delivery of Outcomes Based Commissioning could be disrupted on the grounds that</p> <ul style="list-style-type: none"> + The new alliance structure and form implementation is delayed/halted + Financial improvements in the health economy are not signed off by regulators + Need to agree risk share model particularly whilst CCG and CHS remain in special measures process and pending turn around outcome. + A model of system delivery which incorporates a full range of social care providers is not developed 	<p>Inability to deliver 10 Year Outcomes Based Commissioning could result in major benefits for residents who are over 65 in Croydon not being realised and adversely affect the delivery of a sustainable health and social care economy. (Risk Jointly owned with Sarah Ireland Director SCC)</p>	Peacock, Barbara People Department	<p>Alliance agreement development in progress</p> <p>Controls and resource in place to manage delivery of TRASC programme</p> <p>Engagement of Social Care Commissioners in model of care development programme</p> <p>Financial Improvement Process in place by CCG and CHS. Council Officer are linked into this process.</p>	5	4	20	<p>Active participation at a wider level of social care commissioners in development of Care Model</p> <p>Bring forward benefits in the existing Model of care Initiatives and work up new initiatives at pace, pilot, test and scale up</p> <p>Contingency plans include use of system integrator service or open procurement</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				<p>Focussed Council and CCG savings process in place with transparency</p> <p>OBC programme management in place</p> <p>Ongoing development of the inclusion of OBC as Croydon sub-set of SWLondon Sustainability Transformation Plan and involvement in health devolution piloting</p> <p>Ongoing dialogue through Board to Board meetings to agree new structural and contractual model which involves Alliance Partnership including Providers and Commissioners</p> <p>Review existing planned transition arrangements</p>				<p>Embed alliance working via one team approach</p> <p>Finalise risk share and content of alliance agreement with full leadership sign up</p> <p>Legal teams to provide options appraisal of structural and contractual models proposed by Commissioners and Providers</p>			

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
DASHPD0044 Solanki, Pratima	<p>Care market management risk that provider market capacity cannot meet our demands at the cost budgeted for.</p> <p>Risk that demand for residential and nursing placements and homecare (domiciliary care) for Older People (OP) outstrips supply.</p> <p>This comes at a time of additional winter pressure that further increases this risk.</p> <p>Risk that disability placements continue to be made in residential settings at cost; Croydon commissions the highest number of LD placements across London.</p> <p>Croydon has the second largest care home market in London. Our capacity to effectively manage this market is limited compared to its size and the pressure placed upon the health economy by the size of this market is great.</p>	<p>Budget pressure to ASC due to rising pricing as supply outstrips demand in London. The Council makes approx. 1000 placements per year.</p> <p>Inability to divert budget to prevention due to the need to fund rising costs of care.</p> <p>Decrease in available OP placements resulting in delayed discharge from hospital, and subsequent Delayed Transfer Of Care costs on ASC and our partners.</p> <p>Managing the quality of providers as we are less able to be selective which providers we use. Pressure on our resources to contract monitor and conduct market management activities.</p> <p>The cost of disability placements in residential settings is significant; resources are needed to identify and manage the local market to meet LD needs in community settings.</p> <p>Reputational damage to the council for not meeting the needs of vulnerable people.</p>	Peacock, Barbara People Department	<p>A review of Learning Disability high needs placements resulting in more appropriate services to meet needs with reduced costs.</p> <p>Demand management programme to focus on better outcomes for clients</p> <p>Placements team manage the OP residential and nursing placements; team have identified nursing placement capacity issues and sourced providers that increase the capacity in the system and ensured short term measures implemented, including rate management and block contract maximisation.</p> <p>The monitoring team is actively managing the care home and homecare market through quality monitoring, joint working with safeguarding, managing providers in provider concerns (and those in pre-provider concern.</p> <p>Transfer of existing beds in block arrangements from residential to nursing care to add capacity where needed.</p>	5	4	20	<p>3-year Inflation Strategy to enable financial planning and market stability.</p> <p>Continuation of the Learning Disability high need placement review</p> <p>Continuing to manage the market through the monitoring team</p> <p>Different models of service delivery being developed including preventing the demand for beds arising in the first instance</p> <p>Disability Placements to be coordinated through the placements team</p> <p>Embedding of the Market Position Statement and market management strategy.</p> <p>Further maximising OP block contracts through increasing nursing beds, and reducing voids.</p> <p>Older People OBC Alliance that integrates health and social care will enable more efficient use of resources and the care market</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
PRCES0058 Tate, Stephen	<p>Risk to the sustainability of current council housing provision and meeting the needs of residents following changes in rules in relation to the Housing Revenue Account impacting on repairs, maintenance, general housing management and that the current HRA arrangements become unsustainable.</p> <p>The 30 year business plan of the Housing Revenue Account had previously factored in an assumed increase in rents (equal to increases in the consumer price index +1%). Investment plans for repairs, maintenance and new home building were based on this assumed increase in income. Government policy now requires social landlords to commit to decreasing rent by 1% from 16/17 over four years. Secondly 'Pay to Stay' policy means social housing tenants with household incomes over £40,000 will have to pay a market or near market level of rent from April 2017 to fund central government deficit reduction and this will have to be administered by HRA with potential impact on tenancies. Thirdly higher value council owned properties may have to be sold off to fund the extension to Right to Buy for other social landlords creating further uncertainty. Lastly the cap on housing benefit for social tenants to align with local housing allowance may also have a knock on effect for the HRA. The level of impact is currently unknown.</p>	<p>Investment plans for repairs, maintenance, general housing management and new home building will need to be reviewed through further financial modelling and reprioritised in the light of this decreased income together with the investigation of other potential efficiency savings.</p>	<p>Mustafa, Shifa</p> <p>Place Department</p>	<p>16/17 deficit resulting from 1% rent reduction has been covered by reducing spend on the capital programmes and responsive repairs as well as a restructure.</p> <p>High level options appraisal being drafted</p> <p>Ongoing discussions regarding the prioritisation of repairs, maintenance, general housing management and new build schemes.</p> <p>Steering group chaired by Housing Needs and District & Regeneration Directors and formed of Housing heads of service and finance has been established to develop workstreams to manage and mitigate impact.</p> <p>Working group for the HRA established</p>	5	4	20	<p>A review of current expenditure commitments and investigation of efficiency savings that can be identified within the HRA, together with an assessment of the impact of different options to ensure tenants' interests are protected.</p> <p>Continue delivery of identified workstreams to mitigate impacts</p> <p>Further savings plan in relation to the HRA identified</p> <p>Keep up to date with updates and advances in the legislation</p> <p>Ongoing work on modelling together with Finance team</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
RCSCFS0001 Simpson, Richard	<p>The Council faces continued significant reductions in its grant funding, over the period 2016 to 2020. This is at the same time as significantly rising demand for services and growth in population.</p> <p>Risk that demand/budget gap is not bridged without the need for cuts to services.</p>	<p>Insufficient resources may lead to inability to meet community needs and political aspirations. Potential inability to meet statutory responsibilities in times of increasing demand through changing demographics, for example mental health services, older people's services and deprivation of liberty demands. Damage to reputation and service.</p> <p>Reduction in resources</p> <p>Increasing demands for services and support, for example the Council Tax support scheme arrangements</p> <p>Risk of failure to balance Budget and Failure to maintain capital investment strategy in infrastructure (Strategic objective alignment: Enabling)</p>	Simpson, Richard Resources Department	<p>a) The Council has a track record of delivering significant savings since 2010 (£100m)</p> <p>b) Croydon Challenge Programme in place and being delivered</p> <p>c) Quarterly monitoring of in year financial performance to Corporate Leadership Team and Cabinet</p> <p>e) Savings for 17/18 signed off by Cabinet as part of 2016/17 budget setting report. Gap of only £15m for 17/19.</p> <p>f) New Corporate Plan aligned to Ambitious for Croydon to ensure priorities align with resources</p> <p>g) Voluntary severance scheme has successfully reduced employment costs for council in 16/17</p>	5	4	20	<p>Further work on 17/20 savings options as part of Croydon Challenge work with CLT and Cabinet</p> <p>Input to government review as part of 100% business rates retention and fair funding review to ensure needs analysis part of the formula reflects the pressures faced by Croydon.</p> <p>Key workstreams identified thorough the demand management project</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
RCSCFS0094 Simpson, Richard	Britain's EU referendum resulted in the decision of Britain's exit from the EU. This could take 2 years to take effect and there are a number of uncertainties as to how this will take shape. As a result, there are also a number of uncertainties affecting local authorities including Croydon.	<p>Uncertainties about the residency rights of current EU citizens in Croydon could cause community tensions and heightened tensions.</p> <p>Wider uncertainties about the UK's economy and trade arrangements could potentially impact development plans and inward investment that are vital for the borough's regeneration.</p> <p>The Council has received funding for a number of initiatives from the EU with some of these part way through delivery. There is uncertainty about future funding and the availability of funds projects.</p> <p>The UK Economic performance will impact local authority budgets and grants. Currently there are unknowns about whether further grant cuts will be imposed and how Croydon's budget may be affected.</p> <p>Croydon's business rates income could be impacted by any loss of confidence in investment in the UK economy.</p>	Simpson, Richard Resources Department	<p>A statement has been endorsed by Cabinet stating that Croydon welcomes EU citizens and they are valued.</p> <p>Cabinet have endorsed a statement to say that Croydon is open for business and plans are in place to safeguard our growth plans</p> <p>Croydon is working together with its partners to be vigilant to identify any hate crime and take vigorous action against perpetrators.</p> <p>In respect of the Council's Pension Fund, Croydon is assessing the risk of the investment environment having changed, checking whether the investment vehicles will work after the UK leaves the EU, assessing how the Council can access more attractive regions and investment opportunities, monitoring changes for the investment regulations for the LGPS and reviewing the Treasury Management policy and the level of risk the Council is prepared to accept in view of the UK's credit rating.</p>	5	4	20	<p>In respect of EU regulations, the Council will monitor legislative and regulatory changes and respond in the appropriate time and keep abreast of responses by providers in EU markets.</p> <p>London Councils has called for the Mayor and London boroughs to work closely together to sustain growth and the success of London post referendum and explore the opportunities presented by devolution of powers and finance.</p> <p>The Council will continue to monitor pension fund investments, consider options and viability as volatility levels and markets change</p> <p>The Council will continue working with developers and investors to encourage and enable their projects within the borough</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				<p>The Council is monitoring developments over the coming months and take action to mitigate any threats posed by the vote to leave the EU.</p> <p>The Council is working closely with developers and investors to enable their schemes in Croydon. Equally, officers are monitoring changes in the market closely over the coming months to ensure the council can respond quickly to protect investment in the borough.</p>							