

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, Bernadette Khan 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, Humayun Kabir, 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 **Thursday 29th June 2017 at 6:30pm** in **The Council Chamber, The Town Hall, Katharine Street, Croydon CR0 1NX**

JACQUELINE HARRIS-BAKER
Director of Law and Monitoring Officer
London Borough of Croydon
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21 June 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 22 March 2017 and 22 May 2017 as accurate 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 reports – External Audit Progress Report (Page 9)

To receive the Progress Report from the external auditors.

6. Financial Performance Report for 2016/2017 (Page 13)

This report presents to the Committee progress on the delivery of the Council's Financial Strategy (FS).

7. Anti-Fraud Annual Report 1 April 2016 – 31 March 2017 (Page 49)

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 March 2017.

8. Internal Audit Review of Effectiveness 2016/2017 (Page 55)

This report details the Executive Director Resources (Section 151 Officer)'s review of the effectiveness of the Council's internal audit.

9. Head of Internal Audit Annual Report (Page 63)

This report details the work completed by Internal Audit in 2016/17 and the overall levels of assurance for the Council's internal control environment to support the Annual Governance Statement (AGS).

10. Annual Governance Statement 2016/17 (Page 97)

This report details the Annual Governance Statement (AGS), for 2016/17 at Appendix 1.

11. [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 Wednesday 22 March 2017 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 Jeet Bains, Jan Buttinger, Patricia Hay-Justice,
Bernadette Khan, and Joy Prince
- Mr Muffaddal Kapasi and Mr Nero Ughwujabo
- Also present: Malcolm Davies, Head of Risk & Corporate Programme Office
Chris Long and Martin Field, Grant Thornton, External Auditors
Simon Maddocks, Director of Governance
Lisa Taylor, Director of Finance and Deputy S.151 Officer
- Absent: Councillors Sherwan Chowdhury, Jason Cummings, Mike Fisher and
Humayun Kabir

MINUTES - PART A

A01/17 Minutes

RESOLVED: That the Minutes of the meetings held on 29 November 2016 and 7 December 2016 be signed by the Chair as correct records.

A02/17 Disclosure of Interest

There were no disclosures of interest.

A03/17 Urgent Business (if any)

There were no urgent items of business.

A04/17 Grant Thornton – Certification of work for the London Borough of Croydon for year ended 31 March 2016

Chris Long, Grant Thornton, presented the certificate of work for the year ended 31 March 2016 and informed the Committee that due to the certification work the Council was due to receive around £100,000 from the Department for Work and Pensions. The value of £100,000 had been reached by extrapolating the data, however it was stated that it would not have been possible to get an accurate figure of how much was due to the Council without substantially more work which would cost the authority more.

RESOLVED: That the Certification of work for year ended 31 March 2016 be noted.

A05/17

Grant Thornton – Audit Plan for year ended 31 March 2017

Chris Long, Grant Thornton, presented the audit plans for the London Borough of Croydon and Croydon Pension Fund for the year ended 31 March 2017.

Chris Long noted that the transfer of the highways asset had been delayed indefinitely and so no additional audit requirements were included within the Plan for this work. It was noted that 2017 was the first year for consolidating Brick by Brick.

It was stated that work would focus on identified risks by taking into account the overspend that had taken place in the People department and work that had been undertaken to address the overspend and service demand. The integration of health and social care had also been identified as a risk.

In response to Member questions the Committee were informed that Value for Money work was only performed in the public sector and was based on a risk assessment of the objectives and an assessment of the robustness of the assumptions. It was high level work and it was stated that the experience of the external auditors was that there was a robust process in Croydon.

The Committee queried the focus on the work to integrate health and adult social care and were informed that it due to a need to understand the actions that had been taken. The work was to ensure that the level of integration that was required had taken place to deliver the savings and improved services that were required.

The Director of Finance and Deputy S151 Officer confirmed that in 2018 there would be a two month close down period and work had been underway to test the earlier close period in 2017 and it was on track. It was noted that the committee meeting calendar for 2017/18 would need to be reviewed to ensure the reports met the new close down deadlines.

RESOLVED: That

1. The London Borough of Croydon Audit Plan for year ended 31 March 2017 from Grant Thornton be noted; and
2. The Croydon Pension Fund Audit Plan for year ended 31 March 2017 from Grant Thornton be noted.

A06/17

Internal Audit Update Report April 2016 to January 2017

Simon Maddocks, Director of Governance, presented the internal audit update report for April 2016 to January 2017 and informed Members that there had been a 100% delivery of audits to draft report stage by the year end with 95% receiving substantial or full assurance.

In response to Member questions the Director of Governance stated that there was often a time lag between recommendations being made and being accepted. It was noted that previously there had been a number of priority 1 recommendations that were outstanding from previous years however these had since been closed down. It was anticipated that the same would happen for the recommendations from 2015/16.

The Committee queried whether the Octavo Partnership was seeing the same issues as the Croydon Care Solutions, and whether audit of external organisations was extensive. The Director of Governance stated that officers were learning from previous mistakes and that the audit report of Octavo Partnership was an improvement and that there were particular concerns at the time.

Members queried the time frame that should be given for services to implement Priority 1 recommendations before being called to the Committee and were informed that by the meeting in September 2017 it was anticipated most recommendations would be implemented. Services would be requested to attend the Committee meeting if recommendations remained outstanding.

In response to Member questions the Director of Governance stated that internal audit did undertake targeted data analytics and it was programmed that an audit of payroll in 2017/18 would use analytics. As a Council work had been done to use analytics to enable the authority to direct people to right services.

The National Fraud Initiative enabled the authority to data match and it was anticipated the London Fraud Hub would enable officer to identify fraud and the associated trends. The Director of Governance suggested he provide the Committee with a presentation on the London Fraud Hub once the pilot stage had been completed. It was noted that officers were able to anticipate the types of fraud, but not whether someone intended to commit fraud.

RESOLVED: That the Internal Audit Report for April 2016 to January 2017 be noted.

A07/17

Internal Audit Charter, Strategy and Plan

Simon Maddocks, Director of Governance, presented the Internal Audit Charter, Strategy and Plan and informed Members that one change had been made to the Charter, as outlined in the report. The

Internal Audit Plan had gone through a process of looking at risk management and the risk register.

The Director of Governance informed the Committee that officers rarely received requests to amend the Internal Audit Plan from councillors, however the meeting was an opportunity to influence the Plan. It was noted that if any items were to be added then an item would need to be removed to enable all the work to take place.

In response to Member questions the Director of Governance confirmed that the last quality assurance of the auditors took place in Autumn 2015 and there were four small recommendations.

The Committee were informed that where in the Plan it stated 12 days this was the length of time taken by one auditor to complete the full audit.

RESOLVED: That the Internal Audit Charter, Strategy and Plan of audit work for 2017/18 be approved.

A08/17

Anti-Fraud Report 1 April 2016 – 31 January 2017

Simon Maddocks, Director of Governance, introduced the anti-fraud report for the period 1 April 2016 to 31 January 2017 and informed the Committee that the figure of successful outcomes had risen to 118 and £1,025,000 of savings and overpayments identified.

The majority of the work undertaken by the Anti-Fraud team had been reactive, however the introduction of the London Fraud Hub would enable more pro-active work to be undertaken.

Work had been undertaken to produce an E-learning module for council staff members and publicity had continued. The review of the Anti-Fraud service had been positive with only four recommendations made.

In response to Member questions the Director of Governance stated that the team had circulated newsletters and run courses, however it was difficult to assess the level of engagement with the newsletter. The E-learning module was anticipated to help the service assess who was accessing it and enable officers to encourage those who would come across fraud most to complete the course.

Work was still ongoing with the NHS, however work had had to be completed with regards to data protection before it could proceed. Data matching would be undertaken with the National Fraud Initiative in July 2017.

The Committee congratulated officers on their work and their persistence, in particular in regards to the case that was shown in the BBC series 'Britain on the Fiddle'. Members queried the how a recovered property would have the value of £18,000 and were

informed that the value was a standard value which had been provided by the Audit Office and related to the cost associated to housing another resident temporarily who could have resided in that property.

Referrals of fraudulent activity were received via officers or the teams who dealt with the payments and undertook monitoring of the residents. For Blue Badges, referrals were also received from Parking Enforcement Officers. The Director of Governance informed the Committee that concerns of fraudulent claims that involved safeguarding were often received through two means. The Chair suggested that concerns of safeguarding and opportunities for vulnerable adults to be used for fraud should be raised and further suggested that the Member request the issue be reviewed by the Health and Adult Social Care Scrutiny Sub-Committee.

The Director of Governance stated that additional resources would enable the service to raise awareness of the work and would lead to more referrals, however an assessment would need to be made to ensure resources were being utilised appropriately and value for money was achieved. It was felt that there was sufficient resource to hit the targets.

The Committee noted that there were a number of phone numbers for people to call if there were concerns. The Director of Governance stated that only two of the numbers were council numbers and were answered by experienced staff who asked the appropriate questions. All referrals were assessed by an Intelligence Officer who judged whether an investigation was necessary. Each investigator worked on around 40 cases at a time and all cases were reviewed by the manager of the Fraud Team on a six weekly basis and would advise on the action to take.

The Director of Governance informed the Committee that the mix of cases was typical for a London Borough, however it was not possible to compare the volume of cases as boroughs recorded the figures differently. It was stated that the London Fraud Hub would assist in providing comparative data as the council's would work in similar ways.

RESOLVED: That

1. The Anti-fraud activity of the Corporate Anti-Fraud team for the period 1 April 2016 – 31 January 2017 be noted;
2. The pro-active anti-fraud plan of work for 2017/18 be approved; and
3. The London Borough of Croydon Anti-Fraud and Corruption Strategy be approved.

A11/17 General Purposes and Audit Committee Annual Report 2016/17

The Director of Governance informed the Committee that figures within the report would be updated before it would be taken to Council in April 2017.

RESOLVED to recommend the report to Annual Council on 22 May 2017.

A10/17 Corporate Risk Register

Malcolm Davies, Head of Risk & Corporate Programme Office, presented the report and informed the Committee that one risk had been de-escalated to high amber, as outlined in the report.

In response to Member questions the Head of Risk & Corporate Programme Office confirmed that the risks associated to applications of homelessness due to changes to housing benefits were contained within the risk register.

RESOLVED: That the contents of the corporate risk register as at March 2017 be noted.

A11/17 [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 19.23pm

General Purposes and Audit Committee

**Meeting held on Monday 22nd May 2017 at 7.15pm in COUNCIL CHAMBER,
Town Hall, Katharine Street, Croydon CR0 1NX**

MINUTES - PART A

Present: Councillor J Bains, Councillor K Bee, Councillor J Buttinger,
Councillor S Chowdhury, Councillor J Cummings, Councillor M
Fisher, Councillor P Hay-Justice, Councillor K Jewitt, Councillor B
Khan, Councillor J Prince

A13/17 Appointment of Chair and Vice-Chair

The Committee RESOLVED to appoint Councillor Karen Jewitt as
Chair of the Committee, and Councillor Kathy Bee as Vice-Chair of
the Committee.

MINUTES - PART B

None

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General Purposes and Audit Committee Progress Report for Croydon Council

Year ended 31 March 2017

June 2017

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Introduction

This paper provides the General Purposes and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the General Purposes and Audit Committee can find further useful material on our website www.grantthornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

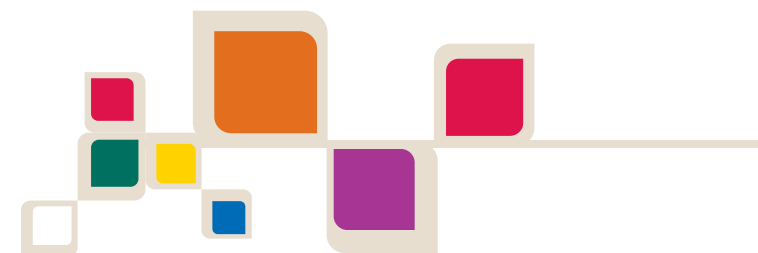
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016); <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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 process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.



Progress at June 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Fee Letter We are required to issue a 'Planned fee letter for 2017/18' by the end of April 2017</p>	April 2017	Yes.	This was provided to your Executive Director of Resources and S151 Officer on 27 April 2017.
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan setting out our proposed approach in order to give an opinion on the your 2015-16 financial statements. We also inform you of any subsequent changes to our audit approach.</p>	March 2017	Yes	This was presented to the General Purposes and Audit Committee on 22 March 2017.
<p>Early closedown and final accounts audit We have been working with your finance team to deliver early closedown of the accounts and earlier completion of the audit. This has involved a number of actions including bringing forward your closedown timetables and increasing the amount of early audit testing undertaken throughout the year. This reflects the changes in legislation that require councils to prepare a set of accounts by the end of May and the audit to be delivered by the end of July, starting from 2018. A draft set of financial statements is expected to be provided to us on 19 June 2017, and our audit will commence after that date. This is later than planned, and we will continue to work with the finance team in 2017/18 to support the delivery of early closedown. The accounts will be signed off following the General Purposes and Audit Committee on 20 September 2017.</p>	<p>Field work – June – August 2017 Sign-off – September 2017</p>	In progress	<p>In order to deliver an efficient audit and deliver to the July audit sign off deadline in 2018, it will be critical final financial statements are presented for audit at the end of May, alongside a complete set of requested working papers. We will continue to work in partnership with the finance team in 2017/18 to improve the early closedown process ahead of the formal implementation of the legislation.</p>



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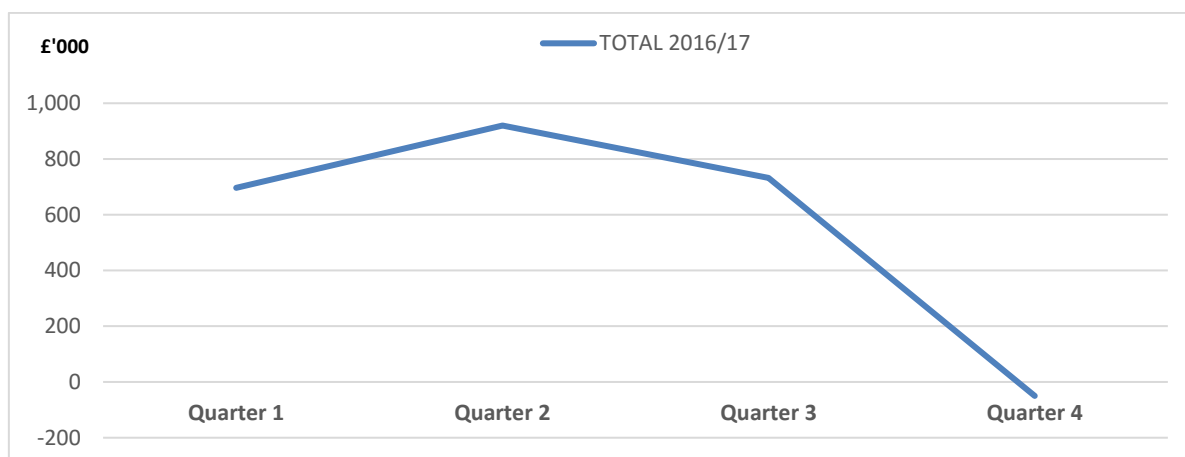
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REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 29 JUNE 2017
AGENDA ITEM:	6
SUBJECT:	FINANCIAL PERFORMANCE REPORT FOR 2016/17
LEAD OFFICER:	RICHARD SIMPSON EXECUTIVE DIRECTOR RESOURCES (SECTION 151 OFFICER)
CABINET MEMBER:	COUNCILLOR SIMON HALL CABINET MEMBER FOR FINANCE AND TREASURY
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The report is a statutory requirement and communicates to our key stakeholders the Council's financial performance and outcome for the period 1 April 2016 to 31 March 2017. This reporting requirement is a key stage in the communication of the delivery of the Council's Financial Strategy and maps progress in the achievement of the objectives contained within the strategy.</p>	
FINANCIAL SUMMARY:	
<p>This report sets out the financial performance of the Council for the period 1 April 2016 to 31 March 2017, which showed an underspend of £0.050m.</p>	
FORWARD PLAN KEY DECISION REFERENCE No.:	
<p>1. RECOMMENDATIONS</p> <p>The Committee is asked to:</p> <p>1.1 Approve the levels of reserves and provisions set out in section 7.4 of the report, as recommended by the Section 151 Officer;</p> <p>1.2 Note the Council's outturn position, and the progress of the Council's current Financial Strategy objectives;</p> <p>1.3 Note the departmental outturn variances as contained within Table 2 and Appendix 1 of the report;</p> <p>1.4 Note that a report seeking final approval of the accounts following their review by external audit will be presented to this committee prior to the deadline of the 30 September 2017.</p>	

2. EXECUTIVE SUMMARY

- 2.1 This report presents to the Committee progress on the delivery of the Council's Financial Strategy (FS). The final budget position of the Council for 2016/17 was an under spend of £0.050m, which has allowed the authority to add to its levels of general fund balances.
- 2.2 The Council has met the challenge of reducing grant since 2010 and maintained a robust financial position. The Financial Strategy for 2015/19, which was approved on a recommendation of Cabinet on the 17th of February 2015 to full Council (Minute A21/15, Council Meeting 23rd February 2015), sets out the strategy for managing the significant financial challenge for the medium term.
- 2.3 The 2016/17 budget was set with the inclusion of growth to help manage pressures as well as significant savings targets. Despite this growth there continues to be increasing demand for the services provided by the department in the key areas of, adult and children's social care and temporary accommodation.
- 2.4 These pressures are mainly demand related, and are a continuation of pressures experienced in previous years, although the scale has been limited by a combination of improved demand management, and growth awarded in the 2016/17 budget.
- 2.5 The Council has a continued programme to manage demand and it is anticipated that the greatest impact of this will be within the People Department. This programme will deliver options in the medium and longer term. In the short term a range of immediate actions are in place, including:-
- The transformation of adult social care continues.
 - The continuation of the successful Gateway programme.
 - A new framework around procuring external foster care placement has been implemented.
 - Improved commissioning and contract management.
 - A new agency staff contract.
 - The development of a recruitment and retention strategy for social workers.
 - A new operating model for legal services.
 - Implementation of the Asset Strategy to generate income and reduce expenditure.
 - Continuation of the digital programme, making more services on line and therefore efficient for the customer alongside saving costs.
- 2.6 These measures have played an important part in controlling the Council's expenditure during 2016/17, resulting in a final outturn position some £0.746m lower than the initial Quarter 1 projected over-spend. General Fund balances have improved slightly by £0.050m to £10.727m. Graph 1 below the forecast and final 2016/17 outturn.

Graph 1 – 2016/17 Outturn



- 2.7 The target set out in the Financial Strategy is to hold General Fund balances of 5% of the council's net budget requirement. For 2016/17 this equals £13m. The Financial strategy made clear that although 5% remains a target there are no plans to actively move towards the target in cash terms over the medium term as the council's budget is expected to reduce by in the region of £26m over this period. This would see the 5% target reduce by £1.3m, making it £11.7 m by the end of 2020.
- 2.8 The 2016/17 under spend of £0.050m is made up of Departmental over spends of £10.413m offset by non-departmental underspends of £10.463m. Details are provided in Table 1, of this report.
- 2.9 The Council's earmarked reserves have decreased by £10.06m to £30.121m. A number of targeted funding streams have continued to be drawn out of reserves in 2016/17 to support delivery mainly around the transformation agenda.
- 2.10 General Fund Schools' reserves have decreased by £4.04m to £3.305m, which continues to reflect the conversion of maintained schools to academy status.
- 2.11 The Council's General Fund Provisions have increased from £36.3m to £37.1m as at 31st March 2017.
- 2.12 The Collection Fund has carried forward an overall surplus of £12.190m, of which Croydon's share is a surplus of £7.289m. Croydon's share is comprised of a Council Tax surplus of £5.747m and a Business Rates surplus of £1.542m. This represents a significant improvement on previous years, notably reflecting the record collection rates achieved in 2016/17.
- 2.13 The HRA final outturn shows a surplus of £0.738m which has been transferred to HRA reserves.
- 2.14 The Council's Pension Fund increased in value in 2016/17 by £218m to a value of £1.095bn.

- 2.15 The draft accounts are being prepared, and will be presented to the Council's external auditors on the 20th June 2017 ahead of the statutory deadline of 30th June 2017. In anticipation of the statutory deadline moving forward by 1 month in 2018, the Council has been trialling faster closedown process for 2016/17. This allowed a draft set of accounts to be shared with external audit on 20th June ahead of the deadline. There are a number of assumptions and estimates used in the preparation of the draft accounts, which are set out in Section 8 of this report.
- 2.16 The Accounts and Audit Regulations 2015 no longer require the draft accounts to be approved by those charged with governance, and the draft accounts do not form an appendix to this report. However, this report does summarise the Council's financial position at the end of 2016/17, and provides an update on progress towards the Council's financial strategy objectives. The council's draft accounts will be published once submitted to External Audit, and copies will be made available in the member's area to allow them to be scrutinised in more detail. This is in addition to the statutory public inspection periods.
- 2.17 The draft accounts will be subject to external audit. If there are any significant changes, they will be reported later in the year within the Grant Thornton external audit report. The audited final accounts are expected to be available by 30 September 2017. A report will then be presented to the General Purposes and Audit Committee on the outcome of the audit, along with the report to Members charged with Governance as per established good governance practice in previous years.

3. GENERAL FUND REVENUE ACCOUNT OUTTURN 2016/17

- 3.1 Departmental spend was £10.413m more than budgeted in 2016/17. The areas of overspend are those that have in the main been reported to Cabinet throughout the year and reflect the areas of the council's budget that is impacted heavily by demand and our statutory responsibilities. Growth has been built into the 2017/18 to reflect a new achievable budget for these areas. The main overspends were on care packages for Personal Support, an increase in the Children In Need Service, Adult Social Care Services and Temporary Accommodation, including Bed & Breakfast due to an increase in demand for the service.
- 3.2 Despite the financial pressures placed on the budget, the Council has maintained strong financial controls throughout the year. As shown in Table 1, underspends on non-departmental spend enabled the council to make £10.463m of savings to offset departmental pressures.

Table 1 - Revenue Outturn Summary for 2016/17

Quarter 3 forecast	Department	Revised Budget £'000	Outturn 2016/17 £'000	Variation from Revised Budget		Variation to Gross Dept expenditure
				£'000	%	%
10,171	People	184,236	194,234	9,998	5.4%	2.7%
(192)	Place	49,248	49,782	534	1.1%	0.6%
335	Resources	36,898	36,779	(119)	-0.3%	-0.2%
10,314	Departmental Total	270,382	280,795	10,413	3.9%	2%
(9,582)	Non-Departmental Items	(270,382)	(280,845)	(10,463)	3.9%	
732	Total transfer to / (from) balances	0	(50)	(50)		

3.3 The main variances over £500k that contributed to the departmental overspend are summarised in Table 2 below. A complete breakdown of all variances is shown in Appendix 1.

Table 2 - Analysis of departmental variances 2016/17 (+/- £500k)

Department / Division	Underspend £000	Overspend £000	Comments
PEOPLE DEPT			
Children's Social Care		769	Increased legal costs within social care and family support
		2,495	Increase in case numbers resulting in additional agency staff and additional placement and contact costs
		3,093	Increased in placement costs and staffing costs due to demand
	(1,305)		Reduction in expenditure for supplies and services, transport and third party payments
Gateway and Welfare		1,885	Demand in temporary accommodation and costs of additional staff

0-25 SEND		1,331	Increased demand for services for children combined with increasing acuity and complexity of their need
Adult Social Care and Al Age Disability Service		781	Additional resources in central duty team, ensuring referrals dealt with more effectively. Under recovery of income and delays in achieving budget savings.
	(732)		Reduced expenditure due to vacant posts as projects not started until later in the year. Savings made following re-negotiation of Ability Housing & Hestia Supporting People Contracts
		2,115	Increased demand for services for adults combined with increasing acuity and complexity of their need
	(654)		TRASC project delivering transformation across Adult Social care
		678	Increased costs due to additional nursing beds at Addington Heights. Additional extra care services procured to mitigate winter pressures. Increased demand for community equipment services.
All divisions	(458)		Sub-total of pressures under £500k within People department
SUB-TOTAL	(3,149)	13,147	
TOTAL PEOPLE DEPARTMENT		9,998	

Department / Division	Underspend £000	Overspend £000	Comments
PLACE			
Planning (Development Control)	(755)		Over-recovery of Planning fee income.
Safety (Neighbourhood Operations)		574	Staff overspend offset against Public Protection where Eyes and Ears restructure savings were delivered (budget re-aligned for 17/18). Under-recovery of internal recharges.
Streets (Waste)		1,527	Increased tonnages for landfill and co-mingled waste disposal, overspend on SLWP procurement, shortfall on recycling rebates and adjustment on leaf clearance costs.
All divisions	(813)		Sub-total of pressures under £500k within the Place Department
SUB-TOTAL	(1,568)	2,101	
TOTAL PLACE DEPARTMENT		534	

Department / Division	Underspend £000	Overspend £000	Comments
RESOURCES			
Legal	(551)		Overachievement of legal income.
Customer and Corporate Services (Revenues & Benefits)	(787)		Staff vacancies as part of departmental restructure and underspends on ICT contracts.
Commissioning and Improvement (Transport Provision)		1,014	Increased demand and higher unit costs on the SEN transport framework.
All divisions		205	Sub-total of pressures under £500k within the Resources Department.
SUB-TOTAL	(1,338)	1,219	
TOTAL RESOURCES DEPARTMENT		(119)	

3.4 Table 3 below shows the major variances relating to non-departmental expenditure. It should be noted that our budgeting methodology means that there will always be a number of favourable non-departmental items that will

help cover departmental pressures.

Table 3 - Analysis of non-departmental variances 2016/17 (+/- £500k)

Department / Division	Underspend £000	Overspend £000	Comments
NON DEPARTMENTAL ITEMS			
Grants	(5,888)		Additional government grants received– New Homes Bonus, S31 Grants and NNDR safety net payment re: 2015-16
Contingency	(1,000)		Contingency held within the revenue budget
Interest	(868)		Interest receivable higher than anticipated – due to Real Lettings and Box Park
Minimum Revenue Position	(1,887)		Minimum Revenue Position and Interest borrowing costs lower than projected, due to slippage within the capital programme
Other	(820)		Under spend on pension deficit contribution and levies
TOTAL NON-DEPARTMENTAL ITEM	(10,463)		

3.5 Table 4 below shows the resultant position on the Council's balances and reserves as at 31 March 2017, compared with previous years. This table excludes Locally Managed Schools (LMS) reserves, as they are controlled by Schools.

Table 4 - Analysis of Movement in Reserves and Balances

Balances and Reserves	2014/15 £m	2015/16 £m	2016/17 £m
General Fund Balances	10.7	10.7	10.7
Earmarked Reserves	29.5	40.1	30.1
General Fund Provisions	33.5	36.3	37.1
Total	73.7	87.1	77.9

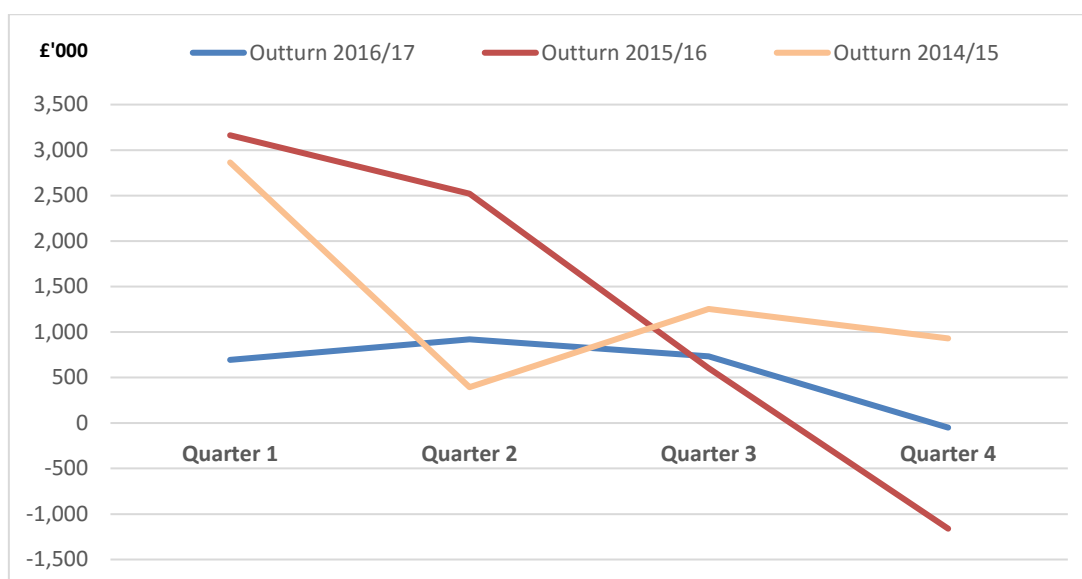
3.6 Further details of earmarked reserves are provided in Section 7.4 of this report.

3.7 REVENUE BUDGET MANAGEMENT

3.7.1 The overall revenue outturn position for 2016/17 is a £0.050m underspend. The past few financial years have been very challenging both due to financial constraints and increased demand for Council services. The Council has in place a strong financial management framework, and has continued to rigorously monitor, manage and control spending within the framework of the

Financial Strategy. Graph 2 below shows the movement of forecast variances through 2016/17 and comparison with previous years.

Graph 2 – Comparison of Council Forecast Outturn 2014/15 to 2016/17



3.7.2 As can be seen from the movement in outturn forecasts over the past 3 years, the Council continues to face increasing pressures in the delivery of services. The pressures in terms of grant loss and massive increase in demand experienced by the Council have continued into the current year. The Council has required the use of non-departmental savings to ensure budget delivery within resources available. Table 5 shows the overall Council position including non-departmental savings over the last 3 years.

Table 5 – Council quarterly forecast outturn

Quarter	TOTAL 2016/17 £'000	TOTAL 2015/16 £'000	TOTAL 2014/15 £'000
Quarter 1	696	3,163	2,864
Quarter 2	920	2,519	394
Quarter 3	732	602	1,254
Quarter 4	(50)	(1,161)	930

3.7.3 This table highlights clearly the effect of in-year actions identified and agreed by the financial monitoring process. Through a combination of departmental and non-departmental savings, the projected over-spend of £0.732m at quarter 3 was avoided, and a slightly favourable outturn position achieved.

4. CAPITAL OUTTURN 2016/17

4.1 The original approved capital programme totalled £176.1m, which was increased during the year to £249.6m to reflect both programme slippage and any additional government grants. Outturn capital spend was £137.3m, with the resultant underspend of (£112.3m) (45%) mainly attributable to slippage in the

delivery of schemes. Table 6 below, shows spending against budget by Department in 2016/17 and Appendix 2 provides a detailed breakdown of spend against budget for the capital programme.

Table 6 – Capital Outturn Variances for 2016/17

Department	Original Budget £'000s	Budget Adjustments £'000s	Revised Budget £'000s	Outturn £'000s	Outturn Variance £'000s
People	108,740	23,055	131,795	68,738	(63,057)
Place	25,384	25,189	50,573	24,436	(26,137)
Resources	8,439	15,868	24,307	19,831	(4,476)
General Fund	142,563	64,112	206,675	113,005	(93,670)
Housing Revenue Account	33,621	9,339	42,960	24,313	(18,647)
Total Capital	176,184	73,451	249,635	137,318	(112,317)

4.2 The impact of slippage from 2016/17 into the 2017/18 capital programme will be considered as part of the July Financial Review Cabinet report. Capital schemes in 2016/17 included the following:

- Meeting the needs for school places
- Delivery of Improvement works to highways
- Improvements to the Public Realm as part of Connected Croydon and related Programmes.
- Continuing the drive to meet the Decent Homes Standard and improve tenants housing
- The commencement of the refurbishment of Fairfield Halls into a world class arts and cultural
- Surrey Street Market - commencement of works to provide a more pedestrian-friendly environment, to improve the street scene and create a vibrant, flexible market space.
- Improvement to the IT infrastructure and equipment, to allow the delivery of the Digital and Enabling Programme, with improved productivity, flexibility and decision making

5. HOUSING REVENUE ACCOUNT (HRA)

5.1 The final outturn shows a surplus of **£0.738m** which has been transferred to HRA reserves. The variances to budget that are on-going will be included in the budget planning for 2017/18.

5.2 The main variances of revenue spend against budget are set out in Table 7 below.

Table 7- Analysis of Housing Revenue Account Variances 2016/17

Division	Favourable variance £000	Unfavourable variance £000	Detailed explanation
HRA - People	432		Underspend due to a combination of additional lease income, and legal expenditure being lower than expected.
HRA - Place	306		Underspends mainly due to vacant posts
Total HRA underspend	738		

5.3 Capital expenditure totalled £24.313m. Expenditure was lower than the revised budget of £42.960m by £18.647m, due principally to the alteration in the strategy for providing new affordable homes, and delays to the major repairs programme.

5.4 The Contingency reserve is set at 3% of total income, which is viewed to be appropriate to the level of risk within HRA income. The balance of the under-spend has been transferred to earmarked reserve. Table 8 below shows the resultant position on the HRA balances and reserves at 31 March 2017 compared with previous year.

Table 8 – Movement in HRA reserves and balances

HRA	Balance at 01-Apr-16 £'000	HRA Outturn 2016/17 £'000	Balance at 31-Mar-17 £'000
Reserves	(11,817)	(738)	(12,555)
Major Repairs Reserve	(1,785)	495	(1,290)
Total	(13,602)	(243)	(13,845)

6. PENSION FUND AND TREASURY MANAGEMENT

6.1 The accounts for the Pension Fund are included, as a separate set of accounts, within the Croydon Borough Council's annual accounts publication. Table 9 below shows the change in the value of the Croydon Pension Fund during 2016/17: -

Table 9 - Pension Fund Performance 2016/17

Composition of Net Assets	2015/16 £000	2016/17 £000	Increase / (decrease) £000	Change %age
Fund Managers				
Investments	871,368	1,037,031	165,663	19.01
Other balances	1,501	2,697	1,196	76.68
Cash	4,310	17,460	13,150	305.1
London Borough of Croydon				
Debtors	3,143	2,493	(650)	-20.68
Creditors	(8,159)	(637)	7,522	-92.19
Cash	2,523	36,180	33,657	1,334.0
Net Assets at Year-End	874,686	1,095,224	220,538	25.21

6.2 For the year ending 31 March 2017, the Fund produced an investment return of 21.56% which along with net cash received into the Fund, meant the net value increased by 25.21% over the reporting period. The diversified nature of the investment strategy has ensured that the fund has been able to deliver growth throughout the year and exceeded its target return by 15.23%. This is an excellent return despite the fund continuing the process of restructuring the asset allocation.

6.3 A critical function of the Pensions Committee is to ensure that the Asset Allocation Strategy matches the current economic climate in order to stabilise returns and reduce portfolio volatility whilst closing the funding gap. In the long-term, this will allow the Fund to meet its current and future liabilities to pensioners and stabilise employer contribution rates, without putting an additional burden on council tax payers. The economic outlook suggests slow growth in the developed world and further uncertainty in the euro zone, but suggests recovery from the Global Financial Crisis is more robust. However significant headwinds still prove challenges in terms of meeting our targets. Table 10 below shows annualised performance by asset class over the 12 months to 31 March 2017.

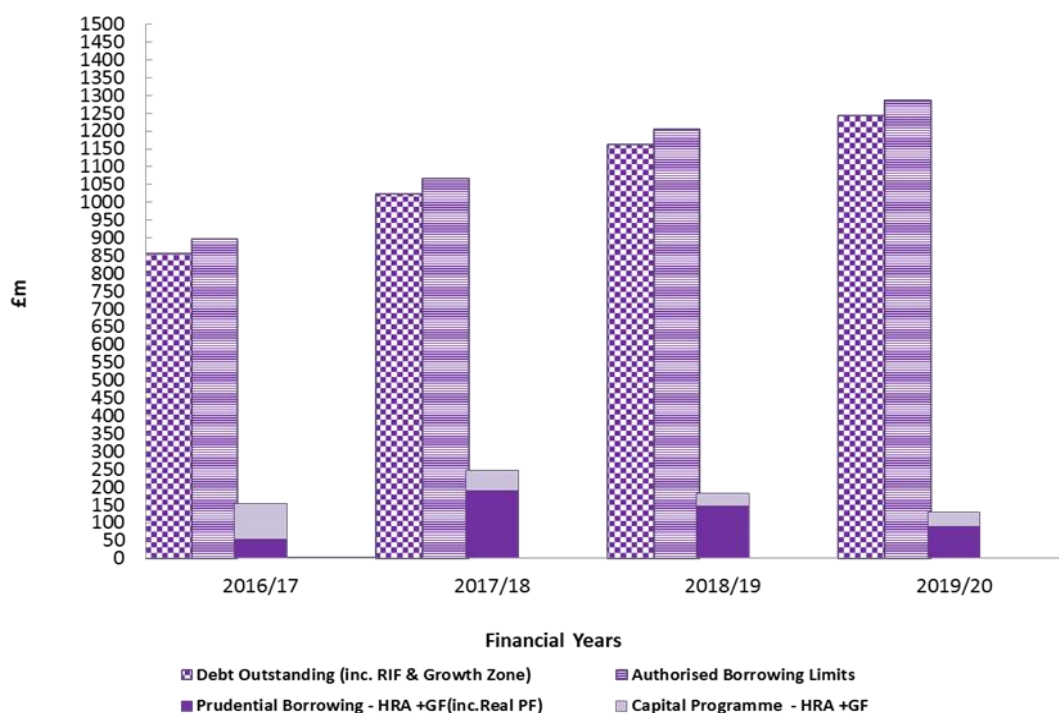
Table 10 – Performance by asset class for the year end 31/03/17

Asset Class	Value at 31-3-17 £m	Return %	Benchmark %	Over / Under performance %
Global Equities	580.8	32.4	32.4	-
Global Bonds	63	6.7	7.6	(0.9)
Global Bonds and Absolute Returns	128.1	5.9	4.7	1.2
Private Equity	85.3	23.3	7.3	16.0
Infrastructure	81.3	7.4	7.3	0.1
Property	106.2	1.1	3.7	(2.6)
Cash & other	50.5	0.3	0.3	-
Total Fund	1,095.2	21.6	6.3	15.3

Treasury Management –

- 6.4 The Executive Director of Resources and Section 151 Officer is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy and Treasury Management Strategy.
- 6.5 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The Code was updated in 2011 and the Council has adopted this updated Code of Practice on 26 February 2013 (Minute A31/13).
- 6.6 The Prudential Indicators set will continue to be monitored throughout the year and will be reported to Cabinet on a quarterly basis. The indicators break down into four blocks relating to capital expenditure, the affordability of that investment programme, debt and treasury management as follows:
- 6.7 The capital investment indicators reflect the Authority's future plans to undertake capital works, and the extent to which these will be funded through borrowing. Hence, in the budget for 2017/18, £413.825m of investment is planned, £335.264m of which is to be financed from borrowing and includes over £272m for Brick by Brick.
- 6.8 Apart from borrowing that is supported by government grant funding, the cost of new prudential borrowing to the Authority will be £14.32 per Band D council taxpayer in 2017/18. This Prudential Indicator reflects the impact of funding decisions relating to capital investment in Croydon. The Prudential Code specifically indicates that it is not appropriate to compare this indicator with other authorities.
- 6.9 The external debt indicators illustrate the calculation of the affordable borrowing limit. The treasury indicators show that the Authority will limit its exposure to variable rate debt to no more than 20% of total debt and will only invest up to 30% of the total investments for periods in excess of one year for reasons of limiting exposure to risk and guaranteeing adequate liquidity.
- 6.10 The final indicator in graph 3 below sets a profile for the maturing of new debt.

Graph 3: Prudential Indicators for 2016/17 to 2019/20



Borrowing –

- 6.11 As part of its Treasury management framework the Council agreed a set of Prudential Indicators covering 2015/16 and the next three years on a rolling programme. These indicators relate to capital investment and the treasury function to provide a level of assurance that investment and borrowing decisions are sustainable, affordable and prudent, and are shown in Table 11 below:
- 6.12 The affordability of financing costs for General Fund and HRA capital spending, reflected in the ratios of net financing costs to the revenue streams, showed an improvement over budget as a result of the Council securing long term funding during the year at lower than anticipated interest rates. This funding was primarily from the European Investment Bank.
- 6.13 The impact of unsupported borrowing on Band D council tax levels was less than anticipated because of the lower cost of new borrowing undertaken in the year.

Table 11 - Prudential Indicators

	PRUDENTIAL INDICATORS 2016-17	Revised Budget £'000	Outturn £'000	Notes
1.	<u>Prudential Indicators for Capital Expenditure</u>			
1.1	In year Capital Financing Requirement			
	- General Fund	82.676	30.940	
	- HRA	6.191	0	
	Total	88.867	30.940	
2.	<u>Prudential Indicators for Affordability</u>			
2.1	Ratio of financing costs to net revenue stream			
	- General Fund	13.0%	9%	
	- HRA	16.0%	13%	
2.2	General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum)			
	- In year increase	£4.00	£1.96	
2.3	HRA impact of Prudential (unsupported) borrowing on housing rents (per annum)	0	0	
3.	<u>Prudential Indicators for External Debt</u>			
3.1	Borrowing Requirement			
	Total Debt brought forward 1 April 2016	808.633		Note 1
	Total Debt carried forward 31 March 2017		885.634	

Note 1 – Of the £808.633 debt brought forward at 1/4/2016, £223.126m relates to long term loans taken up from the PWLB on 28/3/12 for the HRA Self Financing settlement payment. This sum was paid to the Government to exit the national HRA Subsidy system.

7. PROGRESS AGAINST THE CURRENT FINANCIAL STRATEGY

7.1 The Financial Strategy that was approved on a recommendation of Cabinet to full Council (Minute A21/15, Council Meeting 23 February 2015), established the overriding financial objectives of the Council for the medium term. These 3 core objectives ensure alignment of the Council's overall strategic priorities and resources. These objectives are as follows:

- (a) To Maximise economic growth locally
- (b) To realign our resources to protect our front line resources as much as possible
- (c) To ensure we retain a strong financial management framework and systems

Progress in 2016/17 made against the Council's 2015/19 Financial Strategy is set out below against each of the Strategy Objectives.

7.2 TO MAXIMISE ECONOMIC GROWTH LOCALLY -

7.2.1 Throughout the year we have continued to drive growth locally by continuing to invest in the borough and through the buy local scheme.

7.2.2 The establishment of the Revolving Investment Fund (RIF) has enabled the Council to deliver local economic growth by undertaking direct investment. The main focus has been to delivery in accordance with the Asset Strategy to ensure its aims and objectives are achieved.

Achievements in 2016-17 towards this objective

7.2.3 Details of some of the initiatives delivered in 2016/17 are set out below:

- **Croydon Enterprise Loan Fund**
The Croydon Enterprise Loan Fund (CELF) funded by the Council, has been providing loans for start-ups and small businesses that have difficulty accessing finance from banks. Since its start in 2008, loans have now hit the £2m milestone.
- **Launch of Growth Plan**
A council Growth Plan was launched including creating 16,000 jobs, 9,500 new homes, revitalising district centres, re-establishing Croydon as London's premier retail and leisure destination, and as outer London's prime office centre
- **Public realm improvements**
West Croydon bus station improvements have been conjunction with Transport for London, and the Council has continued to make public realm improvements along London Road and Old Town, improving shop frontages and improving footpaths. The Council has made further improvements to its District Centres, with investment in Thornton Heath, New Addington and South Norwood.

7.3 TO REALIGN OUR RESOURCES TO PROTECT OUR FRONT LINE RESOURCES AS MUCH AS POSSIBLE

7.3.1 The Council's aim is to rebalance the resources of the organisation to ensure that there are more of our resources directed to support the delivery of front line services, and that over time the cost of the enabling services which support the front line are reduced.

Achievements in 2016-17 towards this objective

7.3.2 Details of some of the initiatives delivered in 2016/17 to realign resources are set out below:

- The continuation of the Gateway service bringing together services designed to comprehensively address customer issues with housing,

welfare, and debt management. The results continue to reflect overwhelmingly positive outcomes. In 2016/17 the Gateway and Welfare division has helped over 1,300 of Croydon's most severely affected families avoid homelessness, 3,500 people to become more financially independent and supported over 200 residents into employment.

- In parallel with the Gateway programme, the Council has established a Family Link Team and Think Family panel to consider the needs and cost of selected target groups to test out where a cross-departmental response has the greatest ability to improve outcomes for individuals/households and reduce costs for the council. The results from the team and panels have brought about savings delivered through divisions across the people department, reflecting financial improvements approaching £1.5m. From these significant results the council is continuing to make improvements through a number of demand management programs in the people department, whilst it has also launched a dedicated team, family link, with the ambition of joining up services, improving outcomes for residents and reducing cost to the council.
- The new Facilities Management contracts commenced in July 2016 and the new inhouse FM client operating model went live in November 2016.
- The Asset Strategy continues to generate income through better utilisation of our accommodation and in particular the 'restack' of BWH, resulting in asset disposal and in the letting of floors 11 and 12 generating both income and reducing expenditure. Further leasing opportunities and asset utilisation continues as part of the Managing Demand programme to further generate income opportunities in 2017/18.
- Continued use of the Community Priority fund to deliver a series of initiatives that make a difference to residents.
- A programme of reducing back office costs and improving productivity, including our Digital and enabling programme and IT transformation

7.4 TO ENSURE WE RETAIN A STRONG FINANCIAL MANAGEMENT FRAMEWORK AND SYSTEMS

7.4.1 Over the last three years the council has worked hard to maintain financial stability. Given the turbulent economic environment faced, maintaining financial stability will be essential in order to continue to maintain a medium to long term strategic focus for the Borough and its priorities.

7.4.2 The level of general fund balances as at 31st March 2017 is £10.7m. This represents 4.1% of 2016/17's net budget requirement against a Financial Strategy target of 5%. Table 12 below sets out actual general fund balances against the targeted level.

Table 12 – Comparison of General Fund Target Balance with Actual Balances

Year	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Target 5% (£m)	14.6	13.9	13.4	13.0	12.9	12.5	12.4
General Fund balance (£m)	11.6	10.7	10.7	10.7	10.7	n/a	n/a

7.4.3 The Council has a General Fund balance of **£10.7m** as at 31st March 2017 and earmarked reserves of **£30.124m** excluding Schools reserves.

7.4.4 The General Fund balances are in place to meet unanticipated costs arising in the year or budget overspends. The appropriate level of the General Fund balances has regard to assessment of risks from the external environment that may result in overspending and impact on the Council's financial position in the context of the overall arrangements that the Council has for mitigating risks, including earmarked reserves detailed in table 13 below.

Table 13 – Analysis of earmarked reserves (greater than £0.5m)

Reverse	Balance 31/03/2017 £m	Balance 31/03/2016 £m
<u>NON DEPARTMENTAL</u>		
Transformation Fund - this is funding to support the delivery of the transformation programme	2.153	3.675
Community Priority Fund - set aside to support key initiatives of the administration.	0.886	1.351
Revolving Investment Fund - set aside to fund the up-front costs of the schemes within the investment fund.	0.918	1.126
New Homes Bonus - a top slice of government funding that will be used to fund capital investment within the borough.	0.657	0.657
Croydon Enterprise Loan Fund - a reserve created to help Croydon businesses access an economic loan fund	0.611	0.750

Reserve	Balance 31/03/2017 £m	Balance 31/03/2016 £m
<u>PEOPLE</u>		
Transformation of Adult Social Care Programme	0.000	0.552
Care Act	0.550	0.000
Unaccompanied Minors Asylum Seekers Grant - set up to manage the council's spend on asylum seekers. There is a risk that the costs funded by the Home Office reduce in future years.	0.000	1.031
Troubled Families	0.765	0.927
Best Start - transformation	1.200	1.721

Reserve	Balance 31/03/2017 £m	Balance 31/03/2016 £m
<u>PLACE</u>		
Growth Zone funding received from the DCLG to fund early life of zone	7.000	7.000
Selective Licencing - income from private rental licencing scheme to be used over the life of the licence to improve the standards of private rental housing within the Borough	4.555	6.208
Street Lighting PFI sinking fund – will be used over the life of the street lighting project to match operational requirements.	6.314	8.010
<u>RESOURCES</u>		
Public Health Transformation	0.000	1.565
Other (only identified if over £0.5m as at 31 March 2017)	4.515	5.608
TOTAL EARMARKED RESERVES	30.124	40.181

SCHOOLS RESERVES

- 7.4.4 The overall value of school reserves have decreased by £4.04m to £3.3m. This includes a decrease in revenue by £3.97m to £2.31m and a decrease in capital by £0.25 to £0.330m.
- 7.4.5 Five schools have converted to academies during the financial year. The balances of the closing schools are not included in the above totals, as they are transferred to the academy. Some schools hold additional revenue balances for community purposes. These balances decreased by £0.19m to £0.666m
- 7.4.6 The government allows Schools' Forums to set their own policy on reviewing levels of balances held by schools. The Schools Forum agreed a maximum of 4% for Secondary Schools and 6% for all other schools of revenue reserves as a percentage of annual funding received.
- 7.4.7 Table 14 below lists all schools that ended 2016/2017 in revenue deficit and includes those that had approved licensed deficits.

Table 14 Schools in revenue deficit and action plans

School	Deficit at end of 2016/17 £'000	Licensed deficit plan	Deficit agreed in 2016/17 plan £'000	Notes – explain the plan OR explain why a deficit with no plan
Virgo Fidelis Convent Senior School	910	Yes	907	A loan agreement is in place with a 10 year plan for recovery. Falling pupil numbers and therefore a reduced level of funding

				has created the need for this loan arrangement.
St Andrew's CE School	402	Yes	402	The school has seen a reduction of 55 pupils and therefore reduced funding.
Heavers Farm Primary School	135	No	-	Awaiting information from school
Norbury Manor Primary	111	Yes	140	There has been a fall in pupil numbers by 29, which has reduced the level of funding
All Saint's Primary	100	Yes	84	Pupil numbers have dropped by 23 over the past year resulting in drop in funding. There has also been a rise in the of pupils with special needs.
Cypress Primary School	97	No	-	Pupil numbers have decrease by 13. Awaiting application for deficit plan from school
Selsdon Primary School	78	Yes	64	The school has reduced pupil numbers by 7 and low nursery pupil numbers. Staffing costs for maternity cover have contributed to the deficit position.
The Hayes Primary School	62	Yes	108	Staff turnover has contributed to the deficit
Archbishop Tenison's High	50	No	580	Reduced funding levels.
Selhurst Early Years	36	No	-	Awaiting deficit request from school

Purley Nursery School	13	No below the £25k requirement	-	School did not forecast a deficit during the year. Their position will be monitored in the new year.
Courtwood Primary	6	No below the £25k requirement	-	School did not forecast a deficit during the year. Their position will be monitored in the new year.

7.4.8 Table 15 below shows the total balances held by maintained schools, and gives details of how many schools hold balances over the threshold set by Schools Forum.

Table 15 - Schools Revenue Balances

Type of School	Number of schools	Total Balances £m	Percentage of Schools above Schools Forum Guidance	Number of schools in deficit	Percentage of Schools in deficit
Nursery Schools	6	0.116	50%	2	33%
PRU	4	0.105	0	0	0%
Primary Schools	41	2.935	31%	8	21%
Secondary Schools	7	-1.850	0	3	60%
Special Schools	6	1.005	50%	0	0%
Total	64	2.309		13	1.10%

Note: Values in the above table excludes community reserves and Capital reserves held by schools, and includes all maintained schools at the end of March 2017.

General Fund Provisions

7.4.10 The General Fund provisions are analysed in table 16 below. A provision is a sum of money held for a specific purpose to cover a potential cost, where the amount or timing is not certain, and an overall increase of £0.147m is recommended.

Table 16 - General Fund Provisions

Provisions	Balance 31/03/2015 £m	Balance 31/03/2016 £m	Balance 31/03/2017 £m
Provision for Doubtful debts	25.589	21.858	30.458
Insurance Fund	6.400	4.811	4.580
Other provisions	1.524	1.686	2.034
Total	33.513	28.355	37.072

7.4.11 Table 17 below shows the combined total of general fund balances and earmarked reserves. Overall, general fund and earmarked reserves represent around 16% of the Council's net budget requirement.

Table 17: Reserves and Budgeted Net Operational Expenditure

Balances and reserves	2013/14 Actual £m	2014/15 Actual £m	2015/16 Actual £m	2016/17 Actual £m
General Fund balances	11.597	10.677	10.677	10.727
Earmarked reserves	59.366	29.54	32.171	30.124
Total	70.963	40.217	42.848	40.851
Net Budget Requirement	292.716	279.079	259.999	258.550
General Funds Balances % of net budget requirement	3.96%	3.83%	4.11%	4.15%

7.5 STRONG FINANCIAL SERVICES, SYSTEMS, PROCESSES AND GOVERNANCE

7.5.1 Financial management continues to be an area of strength for the organisation which has resulted in positive external audit opinions. Despite this strong performance it is clear that the challenge for the public sector will become greater over the coming years.

7.5.2 Grant Thornton presented their Audit Findings Report to General Purposes & Audit Committee in September 2016 with an unqualified audit opinion on the Council's Financial Statements.

7.5.3 The Council delivers a comprehensive internal audit plan through a contract with Mazars Public Sector Internal Audit Ltd. The plan includes key financial systems, risk based audits from across the organisation as well as probity audits in schools and other establishments. The internal audit plan has been delivered in full with all field work completed by the end of March 2017. This will be the eleventh successive year that the plan has been delivered in its

entirety 'in year'. The detailed audit outcomes for the key financial audits are shown in Table 18 below.

- 7.5.4 From all audits finalised to date, 73% have been given a full or substantial assurance level. After each audit is finalised there is a robust follow-up procedure to ensure that agreed recommendations are implemented. At this point in the year, 77% of recommendations made in audits for 2015/16 and 91% of followed-up recommendations made in 2016/17 have been implemented. Internal audit will continue to follow-up on these until the vast majority have been implemented, including any high priority recommendations.

Table 18 – 2016/17 Audit Plan

2016-17 Audit Plan	Assurance
Community Care Payments (report is still draft)	Substantial
Council Tax	Substantial
Creditors (inc P2P)	Limited
Debtors	Substantial
Housing Benefits	Substantial
Housing Rents & Accounting	Substantial
Housing Repairs	Substantial
Main Accounting System	Substantial
Business Rates	Substantial
Parking Enforcement & Income	Substantial
Payments to Schools	Substantial
Payroll	Substantial
Pension Administration	Substantial
Pension Fund Investments	Substantial
Treasury Management	Substantial

ANNUAL GOVERNANCE STATEMENT (AGS)

7.5.5 The Accounts and Audit Regulations 2015 require the Council to review, at least annually the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) each year with the financial statements. The information for the AGS has been collected from the following sources;-

- External Audit;
- Internal Audit;
- Risk Management Process;
- Executive Directors Assurance Statements; and
- Performance Management.

7.5.6 There are detailed actions to manage and mitigate the risks identified within the Annual Governance Statement, which will be monitored by the Corporate Leadership Team on a quarterly basis to ensure appropriate action is taken in-year. The AGS will be reported separately on the same agenda.

7.6 Financial Performance Data

7.6.1 Table 19 below sets out sundry debt collection performance for 2016-17. Collection rates remained strong throughout the year, although collection of up to 30 days and 60-90 day debt were skewed by a small number of high value outstanding at that time, which significantly reduced the percentage collected.

Table 19 – Sundry debt collection performance in 2016-17

Age of debt	Debt Issued	Debt Outstanding at 31-3-2017	Actual Collection Rate at 31-3-2017	Target Collection Rate
	£	£		
1 month (1-30days)	9,106,675	5,412,510	40.60%	None
2 months (31-60days)	3,068,625	561,212	81.70%	80%
3 months (61-90days)	9,512,418	639,990	93.30%	90%
4 to 6 months (91-120days)	4,863,748	1,484,201	69.50%	95%
7 to 12 months (121-365days)	42,109,294	752,175	98.20%	97.50%

Collection Fund

7.6.2 The Collection Fund is a ring-fenced account into which all sums relating to Council Tax and Business Rates are paid. Surpluses or deficits within the fund are split between the precepting bodies in accordance with pre-determined percentages, which for Council Tax is Croydon Council and the Greater London Authority (GLA), and for Business Rates includes both the Department for Communities and Local Government (DCLG) and GLA as well as the Council.

Deficits within the fund must be met by the precepting bodies, but any surpluses can be used by those bodies to fund expenditure within their own organisation. Table 20 below sets out the position of the Collection fund at the end of 2016/17, compared to the year end position at the end of 2015/16.

Table 20 – Collection Fund at 31 March 2017

201/17	Council Tax £m	Business Rates £m	Total Collection Fund £m	Total Collection fund at 31.3.16 £m
Overall (surplus) / deficit	(7.049)	(5.141)	(12.190)	13.743
Croydon Council - share	81.5%	30%	-	-
Croydon Council - Amount	(5,757)	(1,542)	(7,289)	(2.407)

7.6.3 The Council Tax surplus of £7.049m was due primarily to growth in the council tax base, as well as stronger collection than budgeted. The predicted surplus declared in January 2017 was £7.150m (Croydon's share £5.829m) which will be distributed in 2017/18, and is very close to the outturn value achieved.

7.6.4 For Business Rates there is a surplus of £5.141m. This surplus was caused by an observed reduction in the effect of valuation appeals, as well as a withdrawal by Virgin Media of a request to move their rating to another Council area. This allowed some £15m of appeal provision to be released back into the collection fund during the year. The declaration made in January 2017 was for a deficit of £7.260m (Croydon's 30% share being £2.178m) but this was made before data on appeals, or the Virgin Media decision was known.

7.6.5 Croydon's combined share of the Collection Fund is therefore a credit of (£7.289m), which can be declared in January 2018, and will be available to preceptors to use in the 2018/19 year.

7.6.6 The net collectable debt for council tax in 2016/17 was £185.8.1 million, an increase of £7.7 million on the previous year: a combination of both property growth within the borough as well as increases in Band D.

7.6.6 The Ambitious for Croydon target relates to the amount of debt collected in the initial year of billing (2016/17 debt collected in 2016/17). The target set for 2016/17 was 96.75% and the actual performance was confirmed at 96.85%, an increase of 0.40% on the previous year performance and also 0.10% above the target. The net collectable debt for council tax in 2016/17 was £179.7 million, an increase of £7.585 million on the previous year. Table 21 shows the impact of actual performance against the target in cash terms.

Table 21 – Collection target and performance for Council Tax Collection

	2016/17		
	Target £000	Actual £000	Variance £000
% collection	96.75%	96.85%	0.10%
£ collection	179,611	179,790	179

This is the best ever collection rate of Council Tax in year. The collection rate was a 0.4% increase on last year's performance whilst the net collectable debit increased by £7,586 million.

National Non Domestic Rate (NNDR) Collection –

7.6.8 The target set for 2016/17 was 98.75% and the actual performance was confirmed at 99.10%, an increase of 0.35% over the target. The collectable debt for business rates in 2016/17 was £117.4m. Table 22 shows the impact of actual performance against the target in cash terms.

Table 22 – Collection target and performance for NNDR Collection

	2016/17		
	Target £000	Actual £000	Variance £000
% collection	98.75%	99.10%	0.35%
£ collection	115,569	115,973	£404K

7.6.9 Business rates collection performance was 99.10% collected. This is the best ever collection rate for Business rates, and was an increase of 1.36% collection on the previous year and 0.35% above the end of year target. The net collectable debit decreased by £406k from the previous year.

8. FORMAT OF THE ACCOUNTS

- 8.1 There are two main changes to the draft accounts, which relate to the re-configuration of the Comprehensive Income & Expenditure Statement, and the inclusion of Group financial statements.
- 8.1.1 Following consultation with Local Authorities, accounting guidance has changed to require the Council's income and expenditure statement to now align to its management accounting statements, instead of being based on the "code of practice" headings specified in previous years. For Croydon, this means income & expenditure is shown on "People", "Place" and "Resources" and "below the line", which corresponds to the information presented in this report.
- 8.1.2 Following a review of group activity in 2016/17, it is necessary to prepare a set of Group financial statements that include the activity of Brick by Brick (Croydon) Limited. The group statements will be included at the end of the Council's main statements, and will combine the activity of Croydon Council and Brick by Brick into a "single entity" set of statement, once activity between the two organisations has been removed. These group accounts will reflect the circa £12m of expenditure undertaken by Brick by Brick towards the construction of new homes in the Borough. The main estimates are discussed in the following sections:
- 8.2 Properties are valued based on valuations prepared by the Council's external professional valuers. They are then depreciated over the useful economic life of the asset based on the asset category. Variations in property valuations and useful economic life estimates could have a major impact on the total comprehensive income and expenditure and the balance sheet net balances value.
- 8.3 Estimates are used in the preparation of the provision for doubtful debt. The Council uses historical collection rates when estimating these provisions. Changes in collection rates could have an impact on the total comprehensive income and expenditure position.
- 8.4 The Council aims to take a prudent approach when making estimates to ensure that they do not overstate their position. Where possible the Council uses professional guidance in calculating the value of its assets.

EXTERNAL AUDIT OF THE ACCOUNTS

- 8.5 The accounts will now be subject to external audit. The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the National Audit Office Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.
- 8.6 Audit in the public sector is under-pinned by three fundamental principles:
- auditors are appointed independently from the bodies being

audited;

- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- Auditors may report aspects of their work widely to the public and other key stakeholders.

8.7 Auditors are required by the statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from the audit work. This is called the International Standard on Auditing (ISA) 260 Report and should be completed in September for consideration by the General Purposes Audit and Advisory Committee. The principal purposes of the report are:

- to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance;
- to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
- to provide recommendations for improvements arising from the audit process.

8.8 Those charged with governance will be required to review this report in September 2017 in order to:

- consider the statement of accounts before the financial statements are approved and certified; and
- ensure the representation letter can be signed on behalf of the authority by the Assistant Chief Executive Corporate Resources and Section 151 Officer and those charged with governance before Grant Thornton issues its opinion on the financial statements.
- given the opportunity for those charged with governance to amend the financial statements for the unadjusted misstatements/significant qualitative aspects of financial reporting issues identified above.

8.9 Should Members choose not to amend the financial statements, in accordance with ISA 260, the Auditors will request that members extend the representation letter to explain why adjustments are not being made to the financial statements.

8.10 The Richard Simpson – Executive Director Resources & Section 151 Officer will advise Members of the Committee accordingly throughout this process.

PUBLIC ACCESS

8.11 The Council has improved Public Access and awareness of the Council's Accounts through its Public Access Strategy. The Council's accounts will be available for public inspection for a period of 30 working days, which commences the day after the Council's accounts are signed and published on the Council's internet site. It is anticipated that this period will begin on Monday 19th June, and run until Monday 31 July. During this time, the Accounts will be available via the Council's enhanced public website both as part of the

Committee agenda and as a separate web presence in the in the Council and Democracy web pages, as well as at Bernard Wetherill House.

- 8.12 The Accounts and Audit (England) Regulations 2015 also require publication (including on the Council's website) of the statement of accounts together with any certificate, opinion, or report issued, given or made by the auditor, which will be completed ahead of the statutory deadline of 30th September.

9. FINANCIAL CONSIDERATIONS

- 9.1 The body of the report sets out the 2016/17 outturn in the context of the Council's Financial Strategy as approved by Cabinet on the 23 February 2015

10. LEGAL CONSIDERATIONS

- 10.1 The Council Solicitor comments that under the Accounts and Audit (England) Regulations 2015 no later than 30th September the Council must:

- (a) consider either by way of a committee or by the members meeting as a whole the statement of accounts;
- (b) following that consideration, approve the statement of accounts by a resolution of that committee or meeting;
- (c) following approval, ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval was given;

- 10.2 Under the Financial Regulations which form part of the Constitution, the Chief Financial Officer has the delegated responsibility to spend balances and reserves in accordance with the final accounts that are received at General Purposes & Audit Committee. However, the General Purposes & Audit Committee is required to sanction any changes to the agreed amounts if they differ.

Approved for and on behalf of Jacqueline Harris- Baker, Director of Law and Monitoring Officer.

11 OTHER CONSIDERATIONS

- 11.1 There are no immediate human resource impacts.

Approved by: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR.

Report Author: Richard Simpson – Executive Director
Resources & Section 151 Officer

Background Documents: None

Contact Officer:

Richard Simpson – Executive Director
Resources & Section 151 Officer

Appendices:

Appendix 1 – Revenue outturn
Appendix 2 – Capital Programme outturn

2016-17 OUTTURN REPORT

REVENUE VARIATIONS OVER £100K WITH EXPLANATION

PEOPLE DEPARTMENT

	2016/17 Variance	High-Level Commentary
	£'000	
Safeguarding And Looked After Children Quality Assurance	258	Advocacy, Staffing and legal costs
Social Care & Family Support Directorate	769	Increased legal costs within social care and family support
Children In Need Service		Increase in case numbers resulting in additional agency staff and additional placement and contact costs.
Looked After Children	3,093	Increase in placement and staffing costs due to demand
Early Intervention Support Service	(1,304)	Reduction in expenditure for supplies and services, transport and third party payments
Children's Social Care	5,311	
School Places And Admissions	(168)	Project staff costs recharged to capital
Universal Services	(168)	
Bereavement	(229)	Income budget exceeded and expenditure budgets underspent
Registrars	111	Income target not achieved
Emergency Accommodation	1,885	Demand in Temporary accommodation and costs of additional staff
Gateway Service Improvement Summary	(230)	Release of Pan London Property Fund
Gateway And Welfare	1,537	
0-25 Send Service	1,331	Increased demand for services for children combined with increasing acuity and complexity of their need
0-25 Send Service	1,331	
Adult Social Care And All-Age Disability Directorate	781	Additional resources in central duty team, ensuring referrals dealt with more effectively. Under recovery of income and delays in achieving budgeted savings.
Older People Social Care	(497)	Reducing more expensive private sector block/spot costs by providing additional nursing beds at Addington Heights. Six week free care following hospital discharge only applicable to clients entering Reablement Service
Disability Commissioning And Brokerage	(731)	Reduced expenditure due to vacant posts as projects not started until later in the year. Savings made following re-negotiation of Ability Housing & Hestia Supporting People Contracts
25-65 Disability	2,115	Increased demand for services for adults combined with increasing acuity and complexity of their need
Transformation And Clienting	(655)	TRASC project delivering transformation across Adult Social Care underspend
Day And Employment Services	190	Service previously provided by LATC came back in-house mid-year, resulting in minor additional costs. There was also a small overspend on staffing and less than expected income
Older People Commissioning And Brokerage	678	Increased costs due to additional nursing beds at Addington Heights. Additional extra care services procured to mitigate winter pressures. Increased demand for community equipment services.
Adult Social Care And All-Age Disability	1,881	
Service Development	(120)	Release of Pan London Property Fund
Temporary Accommodation	363	Increase in Temporary Accommodation Team
Housing Need	243	
	(137)	Other variations under £100k
Total People	9,998	

REVENUE VARIATIONS OVER £100K WITH EXPLANATION

PLACE DEPARTMENT

	Variance	High-Level Commentary
	£	
Regeneration & Partnerships	130	Unachievable savings on parks maintenance contract, Live Well costs not covered by PH grants
Other DCR	(244)	One-off funding recovered from GLA in support of Tech Hub project
DCR	(114)	
Building Control	(208)	Cost savings across the BC budget
Development Control	(755)	Planning income recovery in excess of budget expectations
Transport	107	Lower than anticipated recovery of S106/TfL contributions to meet staff costs
Planning	(856)	
Public Protection	(259)	Eyes and Ears restructure savings
Licensing	232	Licensing income shortfall, including late implementation of street trading fee structure
Neighbourhood Operations	574	Unachievable highways recharge identified.
Parking	(418)	Surplus on parking income
Safety	129	
Waste	1,527	Increased tonnages for landfill and co-mingled waste disposal. Leafing clearance pressure, overspend on SLWP Phase C procurement and recycling contract rebate triggers not met. Fly-tipping and asbestos clearance activity higher than budgeted
Parking Infrastructure	(116)	Increase in income recovery for traffic management orders (TMOs)
Streets	1,411	
	(36)	Other variations under £100k
PLACE TOTAL	534	

RESOURCES DEPARTMENT

	Variance	High-Level Commentary
	£	
Financial Services	188	Staff cost pressures driven by interim cover arrangements
Treasury And Pensions	(207)	£142k underspend on early retirement pension payments
Asset Management And Estate	(489)	Overachievement of asset rental income
Legal	(551)	Overachievement of legal recharge income
Coroners	163	Increase in shared cost of the coroners service
Finance And Assets	(896)	
Facilities Management	267	Utility costs
Revenue And Benefits	(787)	Staff vacancies and underspend on IT contracts
Communications And Engagement	394	Unachievable income target for digital advertising
Contact Centre Summary	(195)	£134k staffing vacancies
Information Communication Technology	(214)	Underspend on Capita and other ICT contracts
Business Support	481	Shortfall on recovery of internal recharges
Customer Transformation And Communication Service	(54)	
Transport Provision	1,013	Special Education Needs (SEN) Transport Framework overspend
Non SCC Projects	327	Unachievable savings target
Equalities And Social Inclusion	(218)	Staff vacancies held and underspend on "Creating a Thriving Third Sector"
Voluntary Sector	(202)	Underspend on rent rebates and other voluntary sector payments
Strategy Communities And Commissioning	920	
	(89)	Other variations under £100k
RESOURCES TOTAL	(119)	

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Category	Original Budget	Budget	Revised	Outturn	Outturn
	2016-17	Adjustments	Budget	2016/17	Variance
	£000's	2016/17	2016/17	2016/17	2016/17
Adults ICT / Disabled Facilities Grants / Onside Youth Zone / Bereavement Svcs	3,630	2,233	5,863	2,771	(3,091)
Education - Acadamies Programme	317	159	476	1,461	985
Education - DDA	0	199	199	59	(139)
Education - Fixed term expansion	2,491	1,618	4,109	1,296	(2,813)
Education - Major Maintenance	2,119	552	2,671	2,216	(455)
Education - Miscellaneous	1,180	2,948	4,128	136	(3,992)
Education - Permanent Expansion	74,060	14,515	88,575	46,403	(42,172)
Education - Secondary Schools	8,500	0	8,500	7,007	(1,493)
Education - Special Educational Needs	16,444	831	17,275	7,389	(9,886)
People sub-total	108,740	23,055	131,795	68,738	(63,057)
East Croydon Station Bridge	0	1,200	1,200	0	(1,200)
Empty Homes Grants	500	418	918	1,942	1,024
Fairfield Halls	4,000	2,346	6,346	1,075	(5,270)
Feasibility Fund	0	3	3	493	490
Growth Zone	0	0	0	162	162
Highways Programme	5,000	158	5,158	5,747	589
Measures to mitigate travellers in parks and open spaces	0	187	187	62	(125)
New Addington Leisure Centre	7,830	304	8,134	74	(8,060)
Old Ashburton Library	400	20	420	330	(90)
P&D Machine Replacement Programme	0	2,815	2,815	1,654	(1,161)
Parking	0	34	34	102	68
Public Realm	0	9,940	9,940	5,712	(4,228)
Purley MSCP	0	200	200	83	(117)
Revolving Investment Fund	0	0	0	116	116
Salt Barn	0	728	728	117	(611)
Section 106 Schemes	0	1,950	1,950	1,164	(786)
Surrey Street Market	0	500	500	82	(418)
TFL - Local Implementation Programme	3,336	2,467	5,803	3,844	(1,959)
Thornton Heath Public Realm	2,158	203	2,361	256	(2,105)
Wandle Park	0	0	0	0	0
Waste and Recycling Investment	2,160	1,717	3,877	1,421	(2,456)
Place sub-total	25,384	25,189	50,573	24,436	(26,137)
Corporate Property Maintenance Programme	2,100	2,044	4,144	3,417	(728)
ICT and Transformation	6,219	9,090	15,309	11,546	(3,762)
Croydon Challenge	0	4,734	4,734	4,734	0
Ward Programmes	120	0	120	0	(120)
Coroners	0	0	0	134	134
Resources sub-total	8,439	15,868	24,307	19,831	(4,476)
General Fund total	142,563	64,112	206,675	113,005	(93,670)
Housing Revenue Account	33,621	9,339	42,960	24,313	(18,648)
Capital Programme Total	176,184	73,452	249,636	137,318	(112,318)

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REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 29 June 2017
AGENDA ITEM:	7
SUBJECT:	Anti-Fraud Annual Report 1 April 2016 – 31 March 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

- 1.1 The Committee is asked to note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2016 – 31 March 2017.

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 March 2017.

3. DETAIL

Performance 1 April 2016 to 31 March 2017

- 3.1 The CAFT comprises 12 staff (11.4 FTEs), including investigators an Intelligence Officer and an Investigation Manager, in addition the team receives

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 We have reported previously to this committee that the team were selected as a pilot local authority to take part and help develop the London Counter Fraud Hub (LCFH), alongside Ealing, Camden and Islington councils. The initial phase of this project will match the data from the pilot authorities in the areas of council tax, business rates and social housing, looking to identify individuals and addresses that have a common interest. The ambition of the project is to see all of London matching datasets to identify discrepancy. Examples of these could be people registering housing need in more than one borough, claiming small business rate relief on more than one business or registering to vote in more than one borough. Data has now been submitted to the project and we will feedback again once the pilot phase draws to a close in September 2017.
- 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 16/17	YEAR TO DATE PERFORMANCE
Successful Outcomes	100	136
Identified Overpayments & Savings	£1,250,000	£1,049,348.37

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

Area	Value £
Housing 16 Recovered Properties 4 Right to Buy stopped 4 Removed from Housing list 1 Removed from Temporary Accommodation 3 Succession Stopped	288,000 72,000 72,000 18,000 54,000
Other 20 Formal Cautions 3 Staff Dismissed 3 Other Disciplinary Action 6 Council tax Discounts 29 Blue Badges Recovered 1 Insurance Claim Stopped 1 Adult Care Package Stopped 8 Safeguarding Referrals 1 No Recourse to Public Funds stopped 1 Insurance Claim Stopped 35 Other	£545,348
Total 136	£1,049,348

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 Waltham Forest. Their investigations relate to various departments within the Councils including:

- Housing Benefit;
- Trading Standards;
- 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 a case for another council.

- 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 cash detained as well as more than 64 restraint orders in place as follows:
- 49 Bank Accounts
 - 13 Properties
 - 2 Cars

5. LOCAL GOVERNMENT TRANSPARENCY CODE

- 5.1 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	80
Total number of employees undertaking investigations and prosecutions relating to fraud	12.0
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	11.0
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*	273

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

6. FINANCIAL AND RISK ASSESSMENTS

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

(Approved by: Luke Chiverton, Interim Head of Finance - Place & Resources)

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

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

(Approved for and on behalf Jacqueline Harris- Baker, Director of Law and Monitoring Officer)

8. HUMAN RESOURCES IMPACT

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

(Approved by: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR)

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

9.1 There are no further considerations in these areas.

10. EQUALITIES IMPACT ASSESSMENT

10.1 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 (Head of Anti-Fraud)

BACKGROUND PAPERS: None

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General Release

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 29 June 2017
AGENDA ITEM:	8
SUBJECT:	Internal Audit Review of Effectiveness 2016/17
LEAD OFFICER:	Executive Director Resources (Section 151 Officer)
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: The Council is required by the Audit and Account Regulations 2015 to review the effectiveness of the Council’s Internal Audit function when preparing the Annual Governance Statement 2016/17. The Annual Governance Statement is published alongside the Annual Accounts.	
FINANCIAL SUMMARY: The Internal Audit contract for 2016/17 was a fixed price contract of £333,000 and appropriate provision was made within the budget for 2016/17.	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

1. RECOMMENDATION

- 1.1 The Committee is asked to review and comment on the Executive Director Resources (Section 151 Officer)’s assessment of the internal audit function.

2. EXECUTIVE SUMMARY

- 2.1 This report details the Executive Director Resources (Section 151 Officer)’s review of the effectiveness of the Council’s internal audit. In assessing Internal Audit’s effectiveness the Council has used the following criteria and sources of information:
- Public Sector Internal Audit Standards
 - Internal Audit performance
 - Stakeholders Feedback
 - External Audit opinion.

3. SYSTEM OF REVIEW

- 3.1 The Accounts and Audit Regulations 2015 require the Council to review, at least annually the effectiveness of its internal audit function. The findings of this review need to be considered and published as part of the Committee's review of the effectiveness of the systems of internal control. This in turn forms the basis of the Committee's consideration of the Annual Governance Statement.
- 3.2 The Internal Audit service is one of the key foundations of the Council's Assurance Framework and governance structure, therefore the Committee needs to be satisfied that the function is effective in ensuring it can place reliance on the Council's internal control systems.
- 3.3 The Executive Director Resources (Section 151 Officer) has completed a review of the internal audit service and that is now reported to the Committee.
- 3.4 For the purposes of the review the internal audit service was defined as the service provided by Mazars PSIA Ltd via the internal audit contract and the small in-house client team that leads and manages the contract. The current contract for internal audit services was let in April 2008 for a period of seven years with an option for a three year extension. In January 2012 an extension of that contact to March 2018 was agreed on a recommendation from the then Corporate Services Committee.
- 3.5 A peer review by another London Borough's Head of Internal Audit was conducted during the course of 2015/16 to assess the extent to which the Council's internal audit service complied with the Public Sector Internal Audit Standards. This showed that at that time the Council's Internal Audit service 'Generally Conformed' to the standards and details were reported to this committee last year.

4. INTERNAL AUDIT PERFORMANCE 2016/17

- 4.1 A key measure of the Internal Audits service's effectiveness is the action taken in implementing audit recommendations. 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.
- 4.2 The use of targets is accompanied by a stringent approach to the follow up process with tighter timescales for follow up work to commence linked to the level of assurance. Table 1 details the performance in all follow up work completed for audits carried out in 2013/14 through to 2016/17.

Table 1: Implementation of Audit Recommendations to date

Performance Objective	Target	Performance 2013/14 (to date*)	Performance 2014/15 (to date*)	Performance 2015/16 (to date*)	Performance 2016/17 (to date*)
Percentage of priority one recommendations implemented at the time of the follow up audit	90%	100%	99%	59%	86%
Percentage of all recommendations implemented at the time of the follow up audit	80%	95%	89%	76%	95%

* Audits are still being followed up for each of the years, therefore the percentage will change.

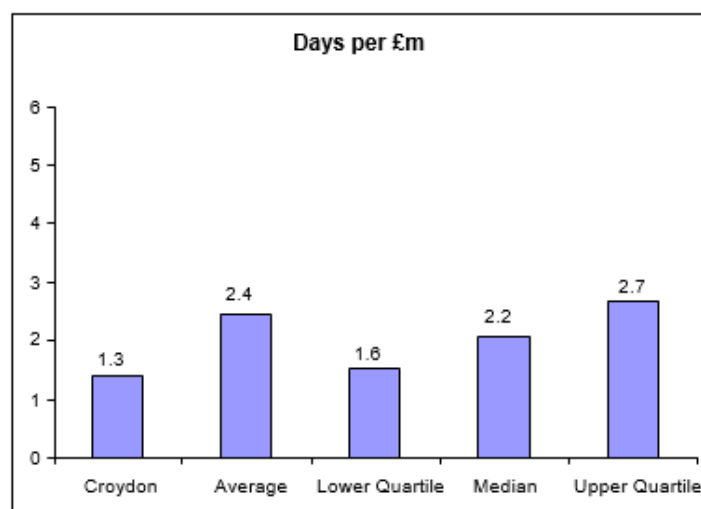
4.3 Table 2 details the Internal Audit service performance against key targets for 2015/16. Delivering 100% of the audit plan in-year is an excellent performance that few London Boroughs manage and this is the tenth year running that this has achieved at Croydon.

Table 2: Internal Audit Performance

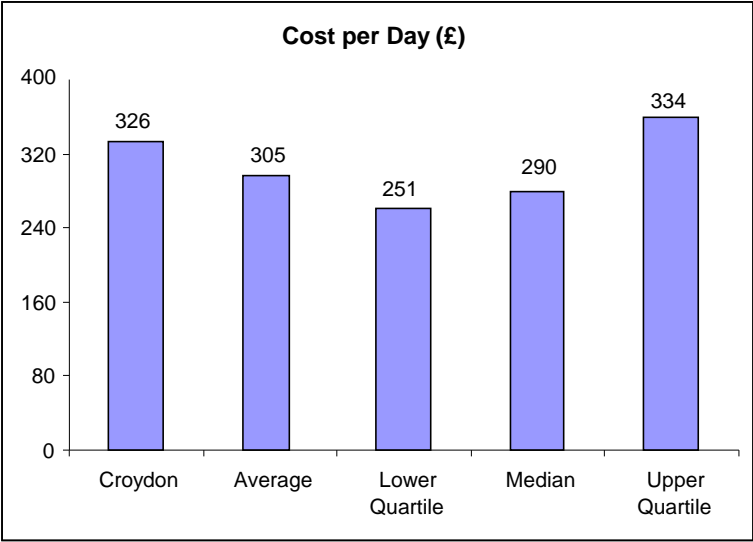
Performance Objective	Annual Target	Annual Performance	RAG
% of planned 2016/17 audit days delivered	100%	100%	G
% of 2016/17 planned draft reports issued	100%	100%	G
Number of 2016/17 planned draft reports issued	104	104	G
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	85%	G
% of staff with full qualifications engaged on audit	40%	53%	G

4.4 To ensure the Council continuously improves its Internal Audit service, the Council participated in the CIPFA Audit Benchmarking Club 2016. A range of performance data and information relating to Internal Audit cost and audit coverage was compared to 24 unitary authorities within the benchmarking club from across England & Wales. The headlines were that the Council was below average in relation to the number of audit days per £m gross turnover and just above average in the cost per chargeable day. These resulted in a better than average audit cost per £m gross turnover.

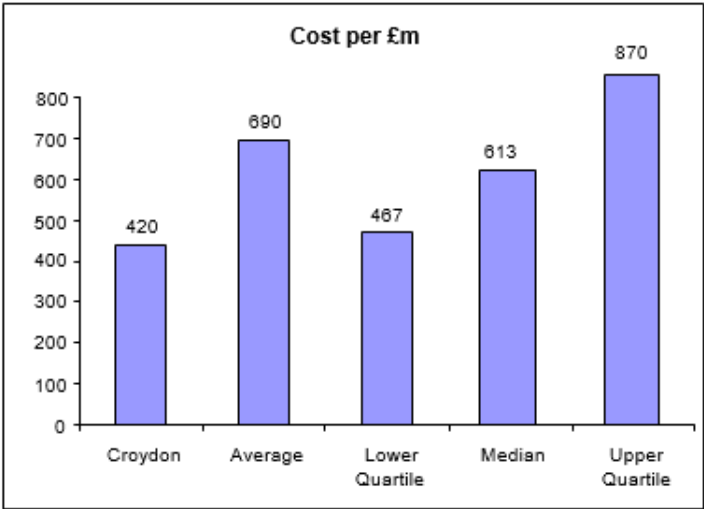
4.5 The performance for 2015/16 is shown in the following graphs



This shows that because of its risk focused approach to internal audit, Croydon uses proportionately fewer days per £M of council gross expenditure than most other unitary authorities.



This shows the cost of each day of internal audit activity. Croydon is only slightly above average despite costs generally being higher in London than the rest of the country.



This shows that the combination of well focused activity and reasonable costs per day results in costs per £M of council gross expenditure which are below the lower quartile for unitary authorities nationally.

5. STAKEHOLDER FEEDBACK

5.1 The added value of internal audit and a key measure of their effectiveness is stakeholder feedback. The auditee of every audit is asked to complete a customer satisfaction survey. There was 21% response rate for audits carried out in 2016/17. This is up from the previous year (12%). The summary results are shown in table 3.

5.2 The overall score for 2016/17 was **88%** which is an improvement on the previous year (81%). This compares with 75% when we started to measure in 2006/07.

5.3 Where adverse comments are received these are followed up individually with the auditee to identify if there are learning points in relation to the individual auditor, a specific audit, or the audit process in general.

Table 3: Customer satisfaction

	2015/16 Good or Very Good	2016/17 Good or Very Good
Usefulness of the audit	75%	91%
Effectiveness of audit in covering key areas	75%	95%
Duration of audit	67%	73%
Feedback of findings and the opportunity to provide explanations	83%	82%
Presentation & Clarity of reports	92%	95%
Accuracy of findings in audit reports	83%	86%
Value of the report and the recommendations	75%	77%
Assessment of auditors knowledge	75%	91%
Assessment of auditors professionalism	92%	95%
Accessibility of the auditor and the audit service	92%	95%

6. PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

6.1 The PSIAS require that “external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.”

6.2 Such an assessment was carried out in early 2016 by the Head of Internal Audit at the London Borough of Harrow. Her qualifications for conduction this review are: She is a member of Chartered Institute of Internal Auditors with 32 years’ experience of local government internal audit including 25 years’ experience in internal audit management. This was organized as part of the London Audit Group’s peer review group which includes 32 of the 33 London Boroughs.

6.3 The review concluded that: **Based on the work carried out it can be confirmed that internal audit at the London Borough of Croydon GENERALLY CONFORMS with the UK Public Sector Internal Audit Standards.**

6.4 More recently, Croydon Council’s head of internal Audit has carried out a self-assessment which confirms that the service still **GENERALLY CONFORMS with the standards.**

7. EXTERNAL AUDIT

- 7.1 As part of their interim audit work, the council's external auditor gave the following report on internal audit to this committee at its meeting in March 2016:

"We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We have also reviewed internal audit's work on your key financial systems to date."

"Overall, we have concluded that the internal audit service provides an independent and satisfactory service and that internal audit work contributes to an effective internal control environment."

8. CONCLUSION

- 8.1 A comparison of the benchmarking indicators with the performance and impact indicators demonstrates a cost effective service delivering value for money.

9. FINANCIAL & RISK CONSIDERATIONS

- 9.1 The Internal Audit contract for 2016/17 was a fixed price contract of £333,000 and appropriate provision was made within the budget for 2016/17. There are no additional risk considerations than those within the report.

(Approved by: Luke Chiverton, Interim Head of Finance - Place & Resources)

10. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 10.1 The Solicitor to the Council comments that the review of Internal Audit will meet the requirements for financial statements covered by the Accounts and Audit Regulations 2015.

(Approved for and on behalf Jacqueline Harris- Baker, Director of Law and Monitoring Officer)

11. HUMAN RESOURCES IMPACT

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

(Approved by: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR)

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

- 12.1 Any impacts in relation to these areas are detailed in the strategic and departmental risk register. The process of managing risk through the risk register mechanism ensures that all impacts are considered and managed.

13. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

- 13.1 The publicity requirements for the financial statements referred to in this report mean that they will for part of the Council's Publication Scheme maintained under the Freedom of Information (FOI) Act.

CONTACT OFFICER: Richard Simpson, Executive Director of Resources (Section 151 Officer)

BACKGROUND DOCUMENTS: None

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Croydon Council

General Release

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 29 June 2017
AGENDA ITEM:	9
SUBJECT:	Head of Internal Audit Annual Report 2016/17
LEAD OFFICER:	Director of Governance
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	ALL
CORPORATE PRIORITY/POLICY Internal Audit's work helps the Council to improve its corporate capacity through sound and robust governance structures, financial management and risk management within the organisation. Strengthening corporate capacity is critical in improving the Council's ability to deliver services helping the Council achieve its vision and aims for the community as a whole.	
FINANCIAL SUMMARY: The Internal Audit contract for 2016/17 was a fixed price of £333,000 and the appropriate provision was made within the budget for 2015/16. The cost of the service compares well with other boroughs as demonstrated through recent benchmarking studies.	
FORWARD PLAN KEY DECISION REFERENCE NO.:	

For general release

1. RECOMMENDATIONS
1.1 The Committee is asked to note the Head of Internal Audit Report 2016/17 (Appendix 1) and the overall Substantial level of assurance of the Council's systems of internal control.

2. EXECUTIVE SUMMARY

- 2.1 This report details the work completed by Internal Audit in 2016/17 and the overall levels of assurance for the Council's internal control environment to support the Annual Governance Statement (AGS).

2.2 From the Internal Audit work undertaken in 2016/17, it is the Head of Internal Audit's opinion that Internal Audit can provide **Substantial Assurance** in relation to the system of internal control, and that the internal controls within financial and non-financial systems operating throughout the year were fundamentally sound.

3. DETAIL

3.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to prepare an annual written report to members that includes:

- an opinion on the overall effectiveness of the organisation's framework for governance, risk management and control;
- disclosure of any qualifications on that opinion; and
- any issues the Head of Internal Audit judges relevant to the preparation of the Annual Governance Statement.

3.2 Appendix 1 details the annual report for the period 2016/17. From the work undertaken, the head of Internal Audit is giving a **Substantial Assurance** in that the Council's framework for governance, risk management and control accords with proper practice except for the control weaknesses identified in the report.

3.3 The Substantial level of assurance reflects that **86%** of individual finalised audits received either Full or Substantial assurance levels. This compares with 75% for the previous year. It should be noted, however, that at the time of writing there are still 29 reports in draft which when finalised may impact slightly, bringing it more in line with last year. There will be an update on these outstanding reports at the next meeting of this committee.

3.4 Internal audit has identified risks and agreed with service managers recommendations to mitigate those risks. The Council now needs to ensure that the action is taken to implement audit recommendations particularly in relation to priority one recommendations.

Implementation of Audit recommendations

3.5 The Council has set targets for the implementation of audit recommendations. Implementation is assessed at the time of follow-up audits. The targets are 80% for all priority 2 & 3 recommendations and 90% for priority 1 recommendations. The table below shows achievement against these targets for the follow-up audits carried out to date. Indications are that the targets for recommendations for 2016/17 will be achieved when the follow up programme is completed over the coming year.

Implementation of agreed recommendations

Performance Objective	Target	Performance 2014/15 (to date*)	Performance 2015/16 (to date*)	Performance 2016/17 (to date*)
Percentage of priority one recommendations implemented at the time of the follow up audit	90%	99%	59%	86%
Percentage of all recommendations implemented at the time of the follow up audit	80%	89%	76%	95%

* audits are still being followed up for 2014/15, 2015/16 and 2016/17 and therefore the percentage is likely to change.

- 3.6 Internal Audit continues to work with departments to help improve implementation timescales. This includes reports to all Departmental Management Teams highlighting where recommendations are not being implemented and agreeing the way forward.

Significant Control Weaknesses

- 3.7 Internal Audit is required to form an opinion on the quality of the framework for governance, risk management and control, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2015/16, two related key issues were identified.

- Significant recommendations were raised due to a lack of compliance with the Councils Contracts and Tenders regulations, including contract formalities and the retention and availability of key documents;
- Significant recommendations were raised relating to contract management, including weaknesses in active monitoring and physical checking.

- 3.8 Recommendations have been made to address these weaknesses and internal audit will be involved in further audit work in these areas.

4. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 4.1 The internal audit function at the Council **Generally Conforms** to the Public Sector Internal Audit Standards. Further details are contained in a separate report elsewhere on this agenda.

5. CONSULTATION

- 5.1 The outcome of all audit work is discussed and agreed with the lead service managers. On a quarterly basis Departmental Leadership Teams consider progress on audit recommendations in liaison with the Governance Team.

6. FINANCIAL AND RISK CONSIDERATIONS

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

(Approved by: Luke Chiverton, Interim Head of Finance - Place & Resources)

7. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 7.1 The Council Solicitor advises that the Council's Financial Regulations, as part of the Constitution, require the preparation of an annual Head of Audit Report and AGS.

(Approved for and on behalf Jacqueline Harris- Baker, Director of Law and Monitoring Officer)

8. HUMAN RESOURCES IMPACT

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

(Approved by: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR)

9. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, HUMAN RIGHTS & FREEDOM OF INFORMATION IMPACTS

- 9.1 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 (Head of Internal Audit)
BACKGROUND DOCUMENTS:	None
APPENDIX:	Appendix 1 - Internal Audit Annual Report for the year ended 31 March 2017



London Borough of Croydon

London Borough of Croydon Internal Audit Annual Report for the year ended 31 March 2017

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 in appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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Executive Summary

Introduction

The purpose of this report is to contribute to the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards. The standards advise that the report must:

- a) include an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control;
- b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- e) compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets, and
- f) comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

Head of Internal Audit Opinion on the Effectiveness of Internal Control

This opinion statement is provided for the use of London Borough of Croydon in support of its Annual Governance Statement 2017 that is published with the statement of accounts for the year ended 31 March 2017.

Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. London Borough of Croydon also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, London Borough of Croydon is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Croydon's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Review of Effectiveness

The London Borough of Croydon has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors, who during the year analysed the Council's adherence to CIPFA guidelines regarding the Annual Governance Statement and found no major issues. Effectiveness of the system is also conveyed by executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports.

Head of Internal Audit Annual Opinion Statement

Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2016/17, including our assessment of the London Borough of Croydon corporate governance and risk management processes and information technology governance.

The internal audit plan for 2016/17 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

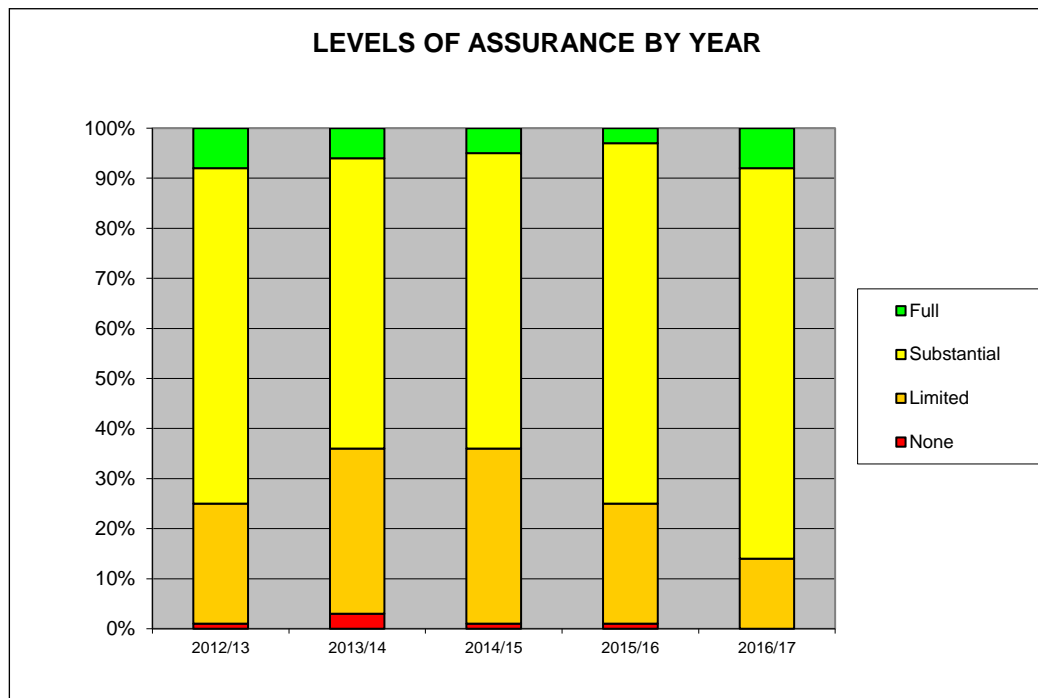
Basis of Assurance

We have conducted our audits both in accordance with the mandatory standards and good practice contained within the Public Sector Internal Audit Standards and additionally from our own internal quality assurance systems.

Our opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the organisations Assurance Framework, that are covered by Internal Audit's programme. Where principal risks are identified within the organisation's framework that do not fall under Internal Audit's coverage or that are not included in Internal Audit's coverage, we are satisfied that an Assurance Framework is in place that provides reasonable assurance that these risks are being managed effectively.

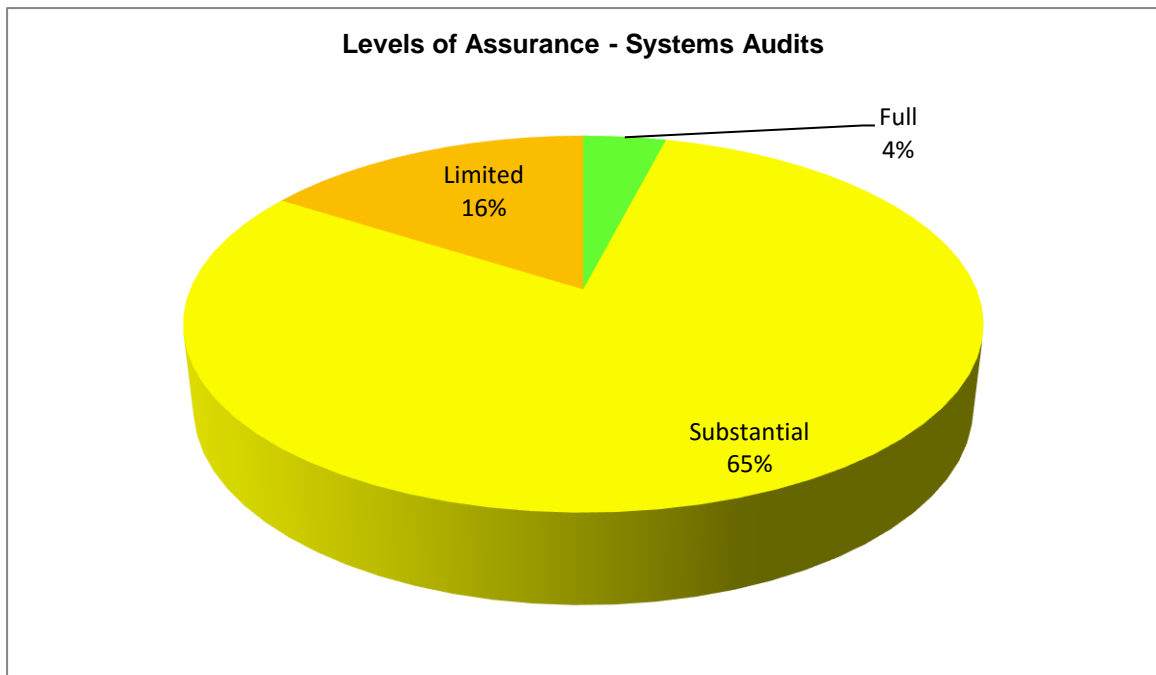
Our work for the year to 31 March 2017 was completed in line with the operational plan.

Graph 1 – Assurance Levels

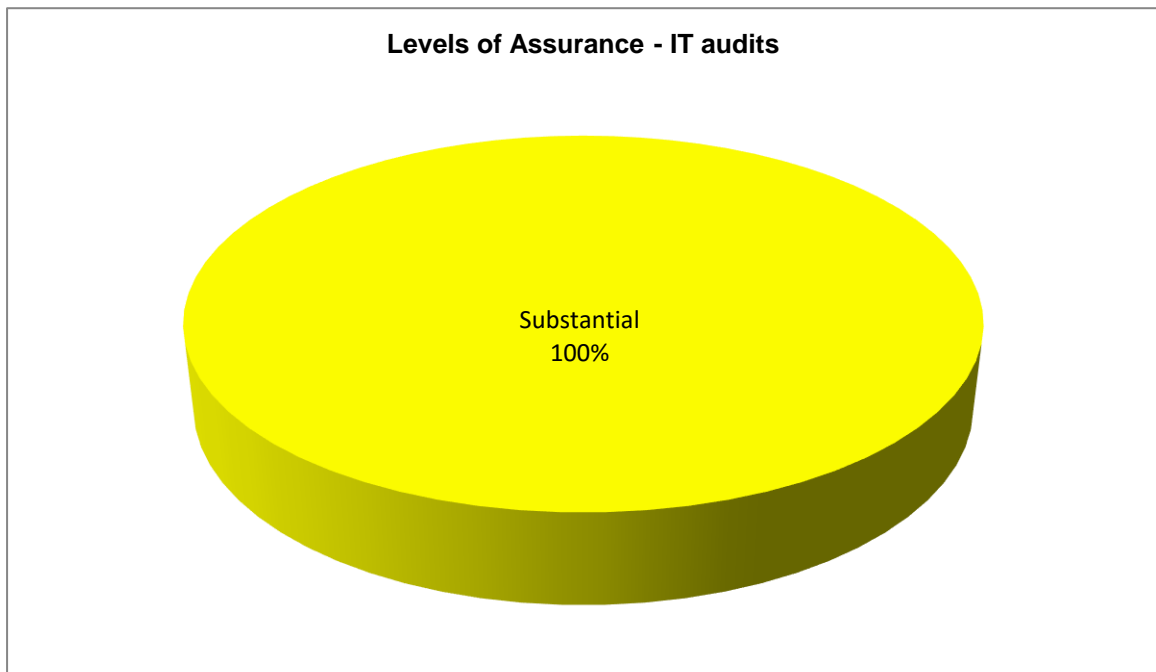


	2012/13	2013/14	2014/15	2015/16	2016/17
Full Assurance	8%	6%	5%	3%	8%
Substantial Assurance	67%	57%	59%	72%	78%
Limited Assurance	24%	34%	35%	24%	14%
No Assurance	1%	3%	1%	1%	0%

Graph 1 shows the percentage of final audit reports issued per level of assurance over the past five years. As can be seen the number of finalised limited and no assurance reports is lower than the number issued at the same point for 2015/16 finalised reports.

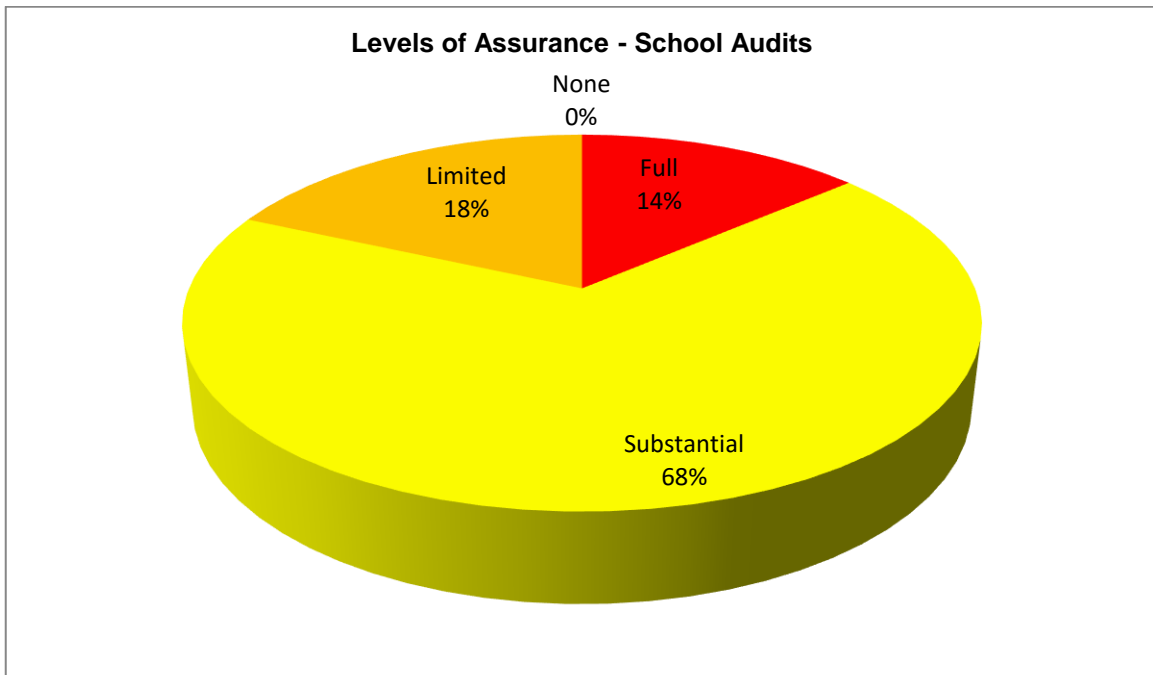
Graph 2 – Levels of Assurance – Systems Audits

Graph 2 shows the percentage of final reports issued per level of assurance achieved on all the full systems audited. This shows that 84% of the systems audited, including the core Council financial systems, achieved an assurance level of Substantial or Full. This is an increase in performance from 2015/16 which was 77% for finalised reports.

Graph 3 – Levels of Assurance – IT Audits

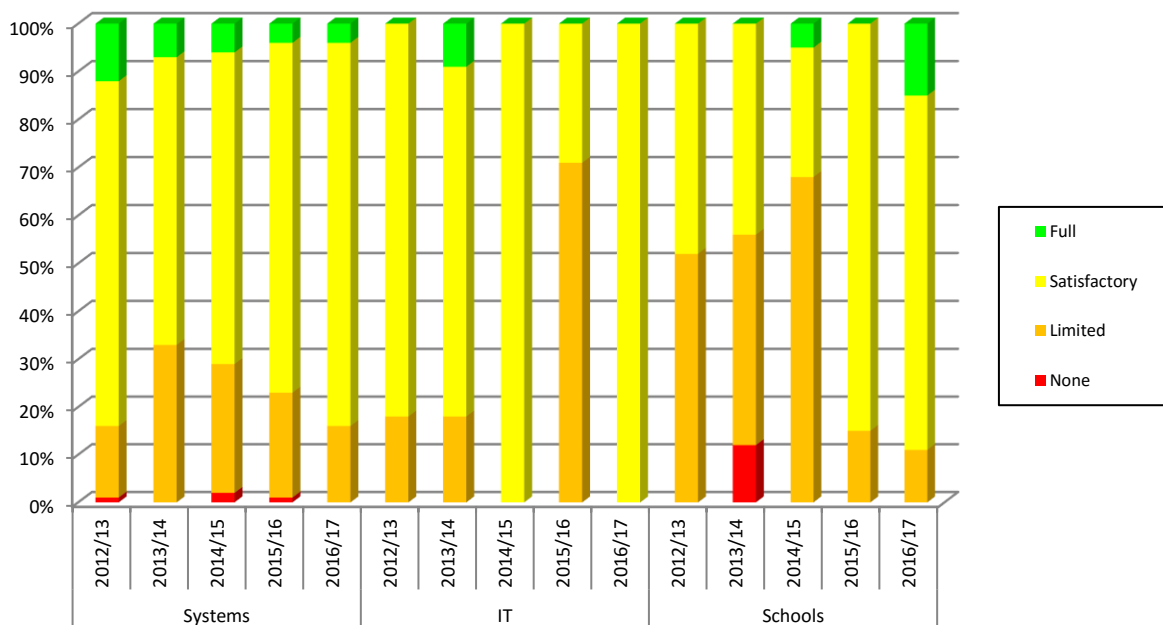
Graph 3 shows the percentage of final audit report issued per level of assurance for the computer audit programme of work. This shows that 100% (1 out of 1) of the computer audits that were finalised at the time of producing this report achieved an assurance level of Substantial. For 2015/16 it was 29% (2 out of 7 audits).

Graph 4 – Levels of Assurance – School Audits



Graph 4 shows the results of the schools audit programme. A total of 89% of all locations visited resulted in a Full or Substantial Assurance where the report has been finalised. This is slightly better than the performance in 2015/16, which was 85%, and maintains the marked improvement on previous years (32% in 2014/15 and 44% in 2013/14)

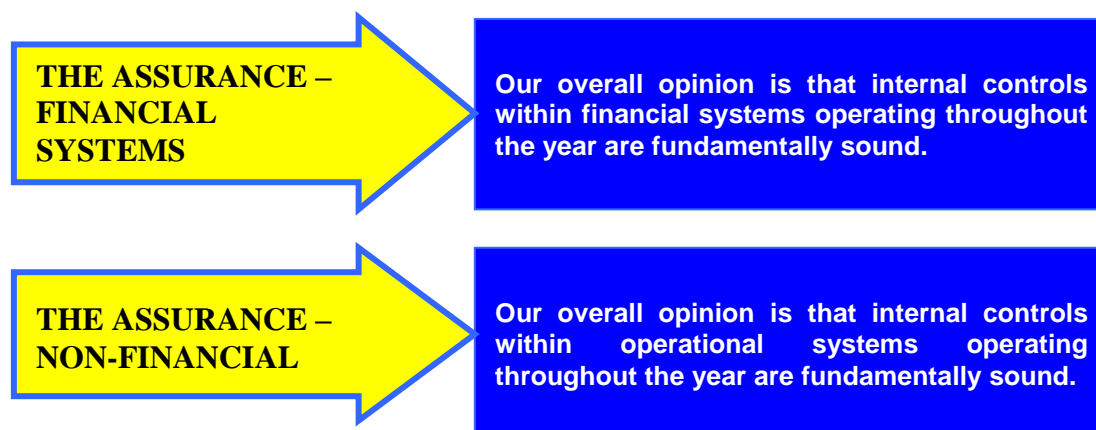
COMPARISON OF ASSURANCE BY AUDIT TYPE 2010/11 TO 2016/17



2016/17 Year Opinion

Internal Control

From the Internal Audit work undertaken in 2016/17, it is our opinion that we can provide **Substantial Assurance** that the system of internal control that has been in place at London Borough of Croydon for the year ended 31 March 2017 accords with proper practice, except for any details of significant internal control issues as documented in the detailed report. The assurance can be further broken down between financial and non-financial systems, as follows:



In reaching this opinion, the following factors were taken into particular consideration:

- 'The Annual Audit Letter', by Grant Thornton for its 2015/16 Audit which issued:
 - an unqualified opinion on the accounts which give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council;
 - an unqualified VfM (Value for Money) conclusion, where they were satisfied that the Council had 'put in place proper arrangements to ensure economy, efficiency and effectiveness in [its] use of resources during the year ended 31 March 2016', and
 - an unqualified opinion on the council's Whole of Government Accounts submission, stating that the pack was consistent with the audited financial statements
- The statement provided by Grant Thornton in their 'The Audit Plan for Croydon Council' issued in February 2016, where based on the 'Results of interim audit work' that, 'Overall, we have concluded that the internal audit service provides an independent and satisfactory service and that internal audit work contributes to an effective internal control environment. Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
- The Assistant Chief Executive (Corporate Resources and Section 151 Officer)'s assessment of the internal audit function assessment of the Internal Audit function submitted to the General Purposes and Audit Committee on 29 June 2016.
- A peer review by another London Borough's Head of Internal Audit which was conducted during the course of 2015/16 to assess the extent to which the Council's internal audit service complied with the Public Sector Internal Audit Standards. This showed that the Council's Internal Audit service 'Generally Conforms to the standards'.

Corporate Governance

In our opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- 'The Annual Audit Letter', by Grant Thornton for its 2015/16 Audit, where:
 - no significant weaknesses in the internal control arrangements were identified, and
 - based on their review of the Council's Annual Governance Statement and Narrative Report, they stated that, 'Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by management and with our knowledge of you.'
- Our annual audit plan of work, which included governance related audits.

Risk Management

In our opinion, based on:

- our 2015/16 audit of the Risk Management process, for which a Substantial assurance was provided, and
- our on-going audits of the departmental risk registers.

We consider the risk management processes are effective and provide regular information on key risks and issues to the Council's Management and Executive Teams and through to Members. The assessment, evaluation and documentation of risks and controls were continued during the year so that risk registers are revised and updated for all Departments.

Information Technology

In our opinion the information technology of the Council supports the organisation's strategies and objectives. This opinion is based on our ongoing programme of computer audits, as well as other departmental and corporate audits, which did not identify any material weaknesses with information technology governance.

We would like to take this opportunity to formally record our thanks for the cooperation and support we have received from the management and staff during the year, and we look forward to this continuing over the coming years.

HEAD OF INTERNAL AUDIT

Simon Maddocks (Director of Governance - Resources Department, London Borough of Croydon)
Mark Towler (Director - Mazars Public Sector Internal Audit Ltd)

May 2017

DETAILED REPORT

Introduction

This section is a report from Internal Audit detailing:

- any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;
- any qualifications to the Head of Audit opinion on the Authority's system of internal control, with the reasons for each qualification;
- the identification of work undertaken by other assurance bodies upon which Internal Audit has placed an assurance to help formulate its opinion;
- the management processes adopted to deliver risk management and governance requirements;
- comparison of the work undertaken during the 2016/17 year against the original Internal Audit plans, and
- a brief summary of the audit service performance against agreed performance measures.

Significant Control Weaknesses

Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2016/17, two key and related issues were identified.

- Significant recommendations were raised due to a lack of compliance with the Councils Contracts and Tenders regulations, including contract formalities and the retention and availability of key documents;
- Significant recommendations were raised relating to contract management, including weaknesses in active monitoring and physical checking.

The Council has action plans to address these issues and Internal Audit will be involved in further audits of these areas.

Qualifications to the opinion

Internal Audit had unfettered access to all areas and systems across the authority and received appropriate co-operation from officers and Members. Our Internal Audit plans were based on an assessment of risk, including using the Council's risk register and were supported by the members of the Corporate Leadership Team individually for their departments and divisions as well as the Chief Executive for the overall plans; these have been reviewed and updated in year in agreement with the Council. We have delivered the agreed Internal Audit annual plans and based on the work we have undertaken plus our knowledge of the Council, we have no qualifications to raise as a result of our work programme.

Other assurance bodies

In formulating the overall opinion on internal control, the Head of Internal Audit took into account the work conducted by Ofsted and the external auditor.

Governance Processes

The key features of the framework for Corporate Governance within London Borough of Croydon are outlined below:

- Challenge and review by the General Purposes & Audit Committee (GPAC);
- Corporate objectives and targets have been established and are monitored;

- Implemented structures and processes that reflect good practice guidance, are well documented and are flexible to accommodate change;
- Standards of conduct and a Code of Conduct are in place for Members and officers;
- The Constitution, which was adopted by the Council on 21 May 2012 and subsequently amended in July and October 2012, January and July 2014, and May 2015 and January, May and September 2016, and January 2017;
- The Council's Tenders and Contract Regulations, which form part of the Constitution of the London Borough of Croydon and were adopted by Full Council on 21 May 2016, and
- Financial Regulations are reviewed and revised on an annual basis under delegated authority (by the Executive Director of Resources and S151 Officer). The current version of the Financial Regulations was issued during September 2016. Day to day guidance is provided via the Financial Procedures maintained by the Governance Team. Training on the Financial Regulations and Procedures forms part of the governance training currently available to managers and staff under the banner of 'Doing the Right Thing'.

Risk Management Process

The principal features of the risk management process are described below:

Members: The Council has a Member risk champion. The GPAC receives regular reports on risk issues and 'Red rated' Strategic, Governance and Operational Risks are formally reviewed on a quarterly basis by GPAC. All Cabinet members are briefed on risks in relation to their portfolio via their Executive Director. All major risks are aligned to the corporate priorities as well as Croydon Vision Theme and Strategy.

Departmental Leadership Team: All risks appear on DLT (Departmental Leadership Team) meeting agendas on a quarterly basis facilitated by a member of the Risk & CPO team.

Head of Risk & Corporate Programme Office: Responsibility for developing, introducing and maintaining Risk Management rests with the Head of Risk & Corporate Programme Office. He has taken the lead on developing and introducing risk registers, defining processes, documentation and standards, and providing the drive for its implementation. The JCAD Risk computer system is used to facilitate this process.

This includes:

- Quarterly risk challenge through Divisional and Departmental MTs is provided by the Risk & CPO function,
- The running of risk workshops by agreement with a number of Project Boards, Project Managers and at Departmental Team Meetings by Risk & CPO to support robust Programme and Project Management standards.
- There is ongoing liaison with the Managing Demand Programme to support risk identification on both a programme and project level together with an on-going process of developing risk logs for major projects.
- A Risk Management toolkit is available on the intranet providing an information source for all Council staff.

Audit Plan

The Audit Plan for 2016/17 was compiled using the Council's Risk Registers as the key drivers in developing audit coverage, as well as detailed discussions with CLT members, departmental management teams, and the External Auditors. The 2016/17 audit plan was approved by the General purposes and Audit Committee on 25th March 2016.

All audit fieldwork is complete for audits relating to the 2016/17 year programme. The 2016/17 Internal Audit plan is provided in Appendix 1 for information. The schedule shows the number of recommendations raised in each audit during 2016/17 where a final report has been issued.

Internal Audit Performance

Table 1 below sets out the pre-agreed performance criteria for the Internal Audit service. The table shows the actual performance achieved against any targets that were set.

Table 1

Performance Measure	Target	Actual
Percentage of the Internal Audit Plan completed	100%	100%
Percentage of staff with full qualifications used to deliver the service	40%	53%
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	85%
Number of draft reports	104	104

The Council's internal and external auditors co-operate and liaise where possible to aid greater harmonisation of internal and external audit work, with a view to external audit placing reliance on the work of internal audit.

Council's Performance with respect to Internal Audit

Under the internal audit follow-up protocol, follow-up audits are undertaken to establish whether the recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Council's minimum 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.

Table 2 sets out the performance for the Council's response to Internal Audits. The table shows the actual performance achieved against any targets that were set in advance.

Table 2

Performance Objective	Target	Performance 2013/14 (to date*)	Performance 2014/15 (to date*)	Performance 2015/16 (to date*)	Performance 2016/17 (to date*)
Percentage of priority one recommendation implemented at the time of the follow up audit	90%	100%	99%	59%	86%
Percentage of all recommendations implemented at the time of the follow up audit	80%	95%	89%	76%	95%

* The follow ups of 2013/14 audits are almost complete, with 1 audit still being followed up. Not all 2016/17 audits have yet been subject to follow up action (the results of those 2013/14, 2014/15, 2015/16 and 2016/17 audits that have been followed up are included in Appendixes 3, 4, 5 and 6 respectively).

Quality and Compliance with the Public Sector Internal Audit Standards

Internal Audit has comprehensive quality control and assurance processes in place and is ISO 9001:2008 accredited. ISO 9001:2008 is an internationally recognised standard for an organisations internal quality management. This provides an independent assurance of the performance, quality and effectiveness at both the individual audit level and the internal audit service as a whole.

The statement of compliance with the Public Sector Internal Audit Standards is detailed in the covering report by the Head of Governance.

Appendix 1 – Work against audit plan

2016/17 Audit Plan	System Priority	Department	Assurance	Recommendations			Total Raised
				Priority			
				1	2	3	

KEY FINANCIALS/ IAS 315 REVIEWS							
Community Care Payments	High	People		Report is still draft			
Council Tax	High	Resources	Substantial	0	2	1	3
Creditors (inc P2P)	High	Resources	Limited	1	4	0	5
Debtors	High	People	Substantial	0	6	3	9
Housing Benefits	High	Resources	Substantial	0	2	2	4
Housing Rents & Accounting	High	People	Substantial	0	5	2	7
Housing Repairs	High	Place	Substantial	0	2	2	4
Main Accounting System	High	Resources	Substantial	0	3	3	6
Business Rates	High	Resources	Substantial	0	3	4	7
Parking Enforcement & Income	High	Place	Substantial	0	5	0	5
Payments to Schools	High	Resources	Substantial	0	2	2	4
Payroll	High	Resources	Substantial	0	2	1	3
Pension Administration	High	Resources	Substantial	0	1	3	4
Pension Fund Investments	High	Resources	Substantial	1	1	2	4
Treasury Management	High	Resources	Substantial	0	2	0	2
Total Key Financials Audits				2	40	25	67

CORPORATE RISK REGISTER AUDITS							
Budget Monitoring – Volatile Budget Areas	High	Resources		Report is still draft			
Gifts and Hospitality (Officers and Members)	High	Resources	Substantial	0	3	4	7
HMRC Compliance	High	Resources	Substantial	0	5	0	5
Use of Agency Staff and Consultants	High	Resources		Report is still draft			
Sickness Absence Management	High	Resources	Substantial	0	4	1	5
Establishment Control	High	Resources	Substantial	0	4	0	4
Total Corporate Risk Register Audits				0	16	5	21

DEPARTMENTAL RISK REGISTER AUDITS							
Adult Care Packages	High	People		Report is still draft			
Adult Social Care - Caseload Management	High	People	Limited	1	4	2	7
Adults Self-funding Income (Deferred Payments)	High	People	Limited	3	5	0	8
Client Management of Octavo	High	People	Limited	4	2	0	6
Continuing Healthcare	High	People		Report is still draft			
Disabled Facility Grants	High	People	Limited	2	4	6	12
Empty Property Grants	High	People	Substantial	0	5	1	6
Housing Registration and Allocations	High	People	Substantial	0	8	0	8

Appendix 1

Outcome Based Commissioning for Over 65's	High	People	Substantial	0	5	0	5
Suppliers of Temporary Accommodation	High	People	Report is still draft				
Top 50 Families review - lessons Learned and Deliverables	High	People	Substantial	0	3	0	3
Anti-social Behaviour Powers	High	Place	Substantial	0	7	2	9
Charging for Household Green Waste	High	Place	Substantial	0	7	0	7
Contract Monitoring and Management (Streets Division)	High	Place	Report is still draft				
Flood Management Plan	High	Place	Substantial	0	5	2	7
Fire Safety (Housing Stock)	High	Place	Full	0	0	0	0
Licensing Income	High	Place	Substantial	0	1	1	2
Pathways to Employment / Job Brokerage Service	High	Place	Limited	1	2	5	8
Prevent Agenda	High	Place	Substantial	0	1	0	1
Project Assurance (Place)	High	Place	Substantial	0	3	0	3
Regeneration Partnerships: South London Partnership	High	Place	Substantial	0	1	1	2
S106 - Negotiating, Charging and Use of Funds	High	Place	Substantial	0	3	0	3
Selective Licensing - Inspections and Enforcement	High	Place	Substantial	0	4	1	5
Children 0-5 Public Health Responsibility	High	Resources	Full	0	0	0	0
Clinical Governance - Risk of bad Outcome form an Intervention	High	People	Substantial	0	3	0	3
Commercial use of BWH	High	Resources	Substantial	0	3	0	3
Commissioning Solicitors Internally	High	Resources	Report is still draft				
Debt Recovery and use of Bailiffs	High	Resources	Substantial	0	2	0	2
Fairfield Delivery	High	Resources	Substantial	0	2	0	2
Information Management - Information Asset Register	High	Resources	Report is still draft				
Memorandum Of Understanding with CCG	High	Resources	Substantial	0	4	0	4
MTFP (Medium Term Financial Strategy)	High	Resources	N/A	-	-	-	-
Organisational Tech Refresh (Project Management)	High	Resources	Report is still draft				
Public Health Integration Funding	High	People	Substantial	0	5	0	5
Total Departmental Risk Register Audits				11	89	21	100 121

COMPUTER AUDITS							
Hyperion Application Review	High	Resources	Substantial	0	2	7	9
Citrix Security Operating System	High	Resources	Report is still draft				
Cloud Services (Azure)	High	Resources	Report is still draft				
Windows Operating System Security	High	Resources	Report is still draft				
Bring Your Own Device	High	Resources	Report is still draft				
Service Desk (Capita)	High	Resources	Report is still draft				
Internet / Intranet Security (both outsourced to TSO)	High	Resources	Report is still draft				
WAN Connectivity	High	Resources	Report is still draft				
Windows Gold Build Operating System Security	High	Resources	Report is still draft				
Total Computer Audits				0	2	7	9

CONTRACT AUDITS							
Service and Maintenance of Fire Alarms and Emergency Lighting Contract	High	Place	Substantial	0	1	1	2
Microsoft Office Enterprise Software Agreement - Procurement Compliance	High	Resources	Report is still draft				
Independent Fostering Agencies - Procurement Compliance	High	Resources	Report is still draft				
Procurement of Consultants, Caterham Bourne Flood Alleviation Scheme	High	Place	Report is still draft				
Community Fund	High	Resources	Report is still draft				
Contract and Tender Regulation Compliance	High	Resource	Report is still draft				
Facilities Management - Cleaning Services Contract	High	Resource	Substantial	1	3	3	7
Ark Oval Primary School – Primary Schools Expansion Programme	High	Place	Report is still draft				
Procurement of Consultants - Thornton Heath Building Front Improvements	High	Place	Report is still draft				
London Road (Section A) - Public Realm Improvements - Vertical Construction Contract Audit	High	Place	Report is still draft				
Contract Formalities and Storage of Contracts	High	Resources	Limited	3	1	0	4
Total Computer Audits				4	5	4	13

SCHOOLS AUDITS							
Christ Church CE Primary	Medium	People	Substantial	0	4	1	5
Coulsdon C of E Primary	Medium	People	Substantial	0	1	1	2
Courtwood Primary	Medium	People	Substantial	0	1	1	2
Downsview Primary	Medium	People	Full	0	0	0	0
Forestdale Primary	Medium	People	Substantial	0	3	0	3
Greenvale Primary School	Medium	People	Substantial	0	6	0	6
Gresham Primary	Medium	People	Full	0	0	1	1
The Hayes Primary	Medium	People	Limited	1	4	7	12
Kenley Primary	Medium	People	Substantial	0	5	2	7
Kensington Avenue Primary	Medium	People	Substantial	0	6	0	6
Keston Primary	Medium	People	Substantial	0	13	0	13
Monks Orchard Primary School	Medium	People	Substantial	0	2	0	2
Orchard Way Primary	Medium	People	Substantial	0	8	4	12
Park Hill Junior	Medium	People	Substantial	0	1	0	1
Park Hill Infants	Medium	People	Substantial	0	1	0	1
Ridgeway Primary	Medium	People	Substantial	0	3	0	3
Smitham Primary	Medium	People	Substantial	0	4	2	6
Regina Coeli RC Primary	Medium	People	Limited	1	4	3	8
St John's Cof E Primary	Medium	People	Full	0	0	2	2
St Peters Primary	Medium	People	Substantial	0	6	3	9
Selhurst Children's Centre	Medium	People	Report is still draft				
St Andrews C of E High	Medium	People	Report is still draft				
Archbishop Tenison's Cof E	Medium	People	Substantial	1	4	3	8
Thomas More	Medium	People	Substantial	0	2	5	7

Virgo Fidelis High	Medium	People	Report is still draft				
Beckmead Special School	Medium	People	Full	0	0	4	4
Bensham Manor MLD Secondary	Medium	People	Limited	4	7	4	15
Redgates SLD & Autism	Medium	People	Substantial	0	3	8	11
St Giles School	Medium	People	Substantial	0	5	4	9
St Nicholas MLD & Autism Primary	Medium	People	Substantial	0	2	4	6
Total Computer Audits				7	95	59	161
Total Recommendations				24	247	121	392

Appendix 2 – Summary of Priority One Recommendations

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
KEY FINANCIALS/ IAS 315 REVIEWS			
Creditors (inc P2P)	High	Limited (One Priority 1, and four Priority 2 recommendations raised)	A priority 1 recommendation was raised as sample testing identified that VAT was being reclaimed on rental payments where valid VAT invoices were not held, instead subsequent VAT certificates were being obtained by the Estates Services Team. However, for the payment sampled the subsequent VAT certificate had not yet been obtained at the time of audit and a proper process was not in place to monitor the submission of subsequent VAT invoices.
Pension Fund Investments	High	Substantial (One Priority 1, one Priority 2 and two Priority 3 recommendations raised)	A priority 1 recommendation was raised as examination of the Council's Scheme of Financial Delegation established that there was no delegation to the Pension Fund Investment Manager for the management of the pension fund. Furthermore, as the Pension Fund Investment Manager had not signed a delegated signatory form, he did not have any delegated financial authority at all.
DEPARTMENTAL RISK REGISTER AUDITS			
Adult Social Care – Caseload Management	High	Limited (One Priority 1, four Priority 2 and two Priority 3 recommendations raised)	A priority 1 recommendation was raised as there were a significant number of cases, some dating back some time, on the respective team waiting lists as at 20 September 2016.
Adult Self- Funding Income (Deferred Payments)	High	Limited (Three Priority 1 and five Priority 2 recommendations)	<p>A priority 1 recommendation was raised as deferred payment agreements were being signed on behalf of the Council by staff without delegated authority to do so.</p> <p>A priority 1 recommendation was raised as sample testing of 8 clients in the Deferred Payments Scheme identified that legal charges had not been registered on the property of 4 of these clients.</p> <p>A priority 1 recommendation was raised as sample testing of 9 clients in the Deferred Payments Scheme identified that evidence of appropriate insurance cover over the property of five of the clients was not available.</p>
Client Management of Octavo	High	Limited (Four Priority 1 and two Priority 2 recommendations raised)	<p>A priority 1 recommendation was raised as 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>A priority 1 recommendation was raised as the responsibility for monitoring receipt of rental payments from Octavo and levying interest payments is unclear.</p> <p>A priority 1 recommendation was raised as monitoring of compliance with the Education Services specification is</p>

			<p>inconsistent and evidence of robust monitoring of KPIs could not be provided.</p> <p>A priority 1 recommendation was raised as 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 raised)	<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 non-compliance 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>
Pathways to employment / Job Brokerage Service	High	Limited (Two Priority 1 and seven Priority 2 recommendations raised)	<p>A priority 1 recommendation was raised as, although personal data is collected, processed and shared, appropriate data sharing agreements and fair processing notices were not in place in order to comply with the Data Protection Act 1998.</p>

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
CONTRACT AUDITSS			
Facilities Management – Cleaning Contract	High	Substantial (One Priority 1, three Priority 2 and three Priority 3 recommendations)	<p>A priority 1 recommendation was raised as the Cleaning Services delivery commenced in July 2016, but the contract has not yet been executed.</p>
Contract Formalities and Storage of Contracts	High	Limited (Three Priority 1 and one Priority 2 recommendations)	<p>A priority 1 recommendation was raised as formal contracts are not in place for all of the contracts sampled.</p> <p>A priority 1 recommendation was raised as the contracts were not all held securely in the Deeds Room or an alternative secure location.</p> <p>A priority 1 recommendation was raised as electronic, signed definitive versions of the contract are not available to contract managers.</p>

SCHOOL AUDITS			
The Hayes Primary	Medium	Limited (One Priority 1, four Priority 2 and seven Priority 3 recommendations)	<p>A priority 1 recommendation was raised as the School's three year budget plan predicts a deficit of £76,876 for 2016/17, a deficit of £188,287 for 2017/18 & a deficit of £326,110 for 2018/19; however a plan has not yet been agreed with the Council, in line with the Scheme for Financing Schools, to eliminate the deficit.</p>
Regina Coeli Primary	Medium	Limited (One Priority 1, three Priority 2 and three Priority 3 recommendations)	<p>A priority 1 recommendation was raised as examination of a sample of 20 transactions identified that in all cases the authorisation of the orders and subsequent invoices for payment was not in accordance with the School's scheme of financial delegation included in the School's Financial Policy and Procedures Manual 2016-2017.</p>
Archbishop Tenison's C of E	Medium	Substantial (One Priority 1, four Priority 2 and three Priority 3 recommendations)	<p>A priority 1 recommendation was raised as some petty cash expenditure was not in line with the 'Guidance for schools relating to the acceptable use of school (public) monies'. This related to staff parking outside the School.</p>
Bensham Manor	Medium	Limited (Four Priority 1, seven Priority 2 and four Priority 3 recommendations)	<p>A priority 1 recommendation was raised as there was no record of a DBS check for a governor in post since May 2014 and a number of staff DBS checks were conducted more than 3 years ago and were overdue for renewal.</p> <p>A priority 1 recommendation was raised as examination of a sample of 15 transactions identified ten instances where there was no evidence that goods / services received checks had been performed.</p>

			<p>A priority 1 recommendation was raised as examination of a sample of 15 transactions identified that none of these were evidenced as appropriately authorised.</p> <p>A priority 1 recommendation was raised as it was noted that a previous governor was still listed as a bank account signatory.</p>
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Appendix 3 - 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 4 - 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	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	AIS Application	Richard Simpson	High	Substantial (5 th follow up in progress)	6	4	67%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					272	236	87%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					27	26	96%
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	485	89%
Priority 1 Recommendations from audits that have had responses					56	55	99%

Appendix 5 - 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 (3 rd follow up in progress)	9	8	89%
2015/16	Contract Management & Governance of Adult Social Care Providers	Barbara Peacock	High	Limited (2 nd 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	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 (No further follow up planned)	6	6	100%
2015/16	Adoption	Barbara Peacock	High	Limited (2 nd follow up in progress)	4	1	25%
2015/16	Fostering	Barbara Peacock	High	Limited (3 rd follow up in progress)	5	2	40%
2015/16	Software Licensing	Richard Simpson	High	Limited (No further follow up planned)	8	8	100%
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	Cyber Security	Richard Simpson	High	Limited (No further follow up planned)	2	2	100%
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	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2015/16	Council Tax	Richard Simpson	High	Substantial (No further follow up planned)	4	4	100%
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 (2nd 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 (No further follow up planned)	7	7	100%
2015/16	Childcare Provision	Barbara Peacock	High	Substantial (3 rd follow up in progress)	6	4	67%
2015/16	Integrated Commissioning	Barbara Peacock	High	(2nd follow up in progress)	3	1	33%
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 (2nd follow up in progress)	4	2	50%
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 (2nd follow up in progress)	6	4	67%
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 (No further follow up planned)	6	5	84%
2015/16	Risk Management	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2015/16	EMS Data Quality	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
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 (No further follow up planned)	4	4	100%
2015/16	EU Procurement Directives	Richard Simpson	High	Substantial (2 nd follow up in progress)	2	-	-
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					233	166	73%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					22	13	59%
School Audits							

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
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	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	Cypress Primary	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	4	-	-
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	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 (No further follow up planned)	6	6	100%
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 (No further follow up planned)	10	10	100%-
2015/16	Winterbourne Infant & Nursery	Barbara Peacock	Medium	Substantial (No further follow up)	4	4	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
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%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					46	44	100%
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					279	210	76%
Priority 1 Recommendations from audits that have had responses					22	13	59%

Appendix 6 - 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	Creditors (including P2P)	Richard Simpson	High	Limited (1 st follow up in progress)	5	-	-
2016/17	Client Management of Octavo Partnership	Barbara Peacock	High	Limited (No further follow up)	6	6	100%
2016/17	Disabled Facilities Grants	Barbara Peacock	High	Limited (2 nd follow up in progress)	12	11	92%
2016/17	Council Tax	Richard Simpson	High	Substantial (1 st follow up in progress)	3	-	-
2016/17	Housing Benefits	Richard Simpson	High	Substantial (1 st follow up in progress)	4	-	-
2016/17	Housing Rents and Accounting	Barbara Peacock	High	Substantial (1 st follow up in progress)	7	-	-
2016/17	Main Accounting System	Richard Simpson	High	Substantial (1 st follow up in progress)	4	-	-
2016/17	Payments to Schools	Richard Simpson	High	Substantial (1 st follow up in progress)	4	-	-
2016/17	Payroll	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	Pension Fund Investments	Richard Simpson	High	Substantial (1 st follow up in progress)	4	-	-
2016/17	Declarations of Interests, Gifts and Hospitality	Richard Simpson	High	Substantial (1 st follow up in progress)	7	-	-
2016/17	HMCR Compliance	Richard Simpson	High	Substantial (1 st follow up in progress)	5	-	-
2016/17	Empty Property Grants	Barbara Peacock	High	Substantial (No further follow up)	6	6	100%
2016/17	Housing Registration and Allocation	Barbara Peacock	High	Substantial (2 nd follow up in progress)	8	5	46%
2016/17	Top 50 Families Review	Barbara Peacock	High	Substantial (No further follow up)	3	3	100%
2016/17	Flood Management Plan	Shifa Mustafa	High	Substantial (1 st follow up in progress)	7	-	-
2016/17	Licensing Income	Shifa Mustafa	High	Substantial (2 nd follow up in progress)	2	1	50%
2016/17	Prevent Agenda	Shifa Mustafa	High	Substantial (1 st follow up in progress)	1	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Selective Licensing	Shifa Mustafa	High	Substantial (1 st follow up in progress)	5	-	-
2016/17	Hyperion Application	Richard Simpson	High	Substantial (No further follow up)	9	8	89%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					49	43	80%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					6	5	63%
School Audits							
2016/17	Bensham Manor	Barbara Peacock	Medium	Limited (1 st follow up in progress)	15	-	-
2016/17	The Hayes Primary	Barbara Peacock	Medium	Limited (1 st follow up in progress)	12	-	-
2016/17	Regina Coeli	Barbara Peacock	Medium	Limited (No further follow up)	7	6	86%
2016/17	Christ Church CE Primary	Barbara Peacock	Medium	Substantial (No further follow up)	4	4	100%
2016/17	Coulsdon C of E Primary	Barbara Peacock	Medium	(No further follow up)	2	2	100%
2016/17	Courtwood Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	2	2	100%
2016/17	Forestdale Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Greenvale Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	Kenley Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	7	7	100%
2016/17	Kensington Avenue Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	5	83%
2016/17	Keston Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	13	11	84%
2016/17	Monks Orchard Primary School	Barbara Peacock	Medium	Substantial (No further follow up planned)	2	2	100%
2016/17	Orchard Way Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	12	10	83%
2016/17	Park Hill Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Park Hill Infants	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2016/17	Ridgeway Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Smitham Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	St Peters Primary	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	9	-	-
2016/17	Archbishop Tenison's Cof E	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	8	-	-
2016/17	Thomas More	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	7	-	-
2016/17	Redgates SLD & Autism	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	11	-	-
2016/17	St Giles School	Barbara Peacock	Medium	Substantial (No further follow up)	9	9	100%
2016/17	St Nicholas MLD & Autism Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	Downsview Primary	Barbara Peacock	Medium	Full N/A	0	0	0
2016/17	Gresham Primary	Barbara Peacock	Medium	Full (No further follow up)	1	1	100%
2016/17	St John's Cof E Primary	Barbara Peacock	Medium	Full (No further follow up)	2	2	100%
2016/17	Beckmead Special School	Barbara Peacock	Medium	Full (No further follow up planned)	4	4	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					97	91	94%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					1	1	100%
Recommendations and implementation from audits that have had responses					141	134	95
Priority 1 Recommendations from audits that have had responses					7	6	86%

Appendix 7 - 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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Croydon Council

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 29 JUNE 2017
AGENDA ITEM:	10
SUBJECT:	Annual Governance Statement 2016/17
LEAD OFFICER:	Chief Executive
CABINET MEMBER	Councillor Simon Hall, Cabinet Member for Finance & Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The Council is required by the Audit and Account Regulations to prepare an Annual Governance Statement as part of the Annual Accounts process and in discharging this responsibility, complies with the with the principles laid out by the CIPFA/SOLACE Framework <i>Good Governance in Local Government</i>.</p>	
FINANCIAL SUMMARY: There are no direct financial considerations arising from this report.	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

<p>1. RECOMMENDATIONS:</p> <p>The General Purposes & Audit Committee are recommended to:</p> <p>1.1 Approve the Annual Governance Statement for the year 2016/17 at appendix 1 to this report in relation to scope of responsibility, purpose of the framework, governance framework detail and review of its effectiveness.</p> <p>1.2 Agree the statement on ‘outcomes’ in relation to ‘Issues raised in 2015/16 Statement and progress to date’</p> <p>1.3 Agree the significant governance issues identified in relation to 2016/17 and the actions being taken to mitigate those risks.</p>

2. EXECUTIVE SUMMARY

- 2.1 This report details the Annual Governance Statement (AGS), for 2016/17 at Appendix 1.

3. DETAIL

- 3.1 The Accounts and Audit (England) Regulations 2015 (the Regulations) require the Council to review, at least annually the effectiveness of its governance arrangements and publish an AGS each year with the financial statements. This is the Seventh year that the Council has produced an AGS.
- 3.2 Appendix 1 shows the draft AGS 2016/17. The information for the AGS has been generated through the Council's Governance framework including:
- External Audit
 - Internal Audit
 - Risk Management
 - Performance Management
 - Financial Management
- 3.3 The Council has in place a framework to manage the identified issues through the *General Purpose & Audit Committee*, where the actions reported in the AGS will be reviewed during the year. The AGS will be published as part of the Council's statutory accounts and annual report.
- 3.4 The identification of significant governance issues in relation to 2016/17 is drawn from a number of sources although substantially focussed around the review of the corporate risk register, in relation to red rated risks and issues raised through the Head of Internal Audit Report (HoIA).

4. FINANCIAL & RISK CONSIDERATIONS

- 4.1 There are no direct financial considerations relating to the recommendations in this report. There are no additional risk considerations other than those detailed in Appendix 1, AGS.

5. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 5.1 The Director of Law & Monitoring Officer comments that the regulations require that:-
- a. the Council shall be responsible for ensuring that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk; and

- b. the Council shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall publish such a statement with its statement of accounts.

5.2 The Regulations requires that the findings of the review of the system of internal control must be considered by a committee of the Council, or by members of the Council meeting as a whole and that the Council review the effectiveness of their system of internal audit once a year and that a committee of the Council, or the Council as a whole review the findings.

5.3 The preparation and publication of an Annual Governance Statement in accordance with the 2007 CIPFA / SOLACE Framework meets the statutory requirement set out in the Regulations for authorities to prepare a statement of internal control in accordance with “proper practices”.

(Approved for and on behalf Jacqueline Harris- Baker, Director of Law and Monitoring Officer)

6. HUMAN RESOURCES IMPACT

6.1 There are no human resource considerations relating to this report.

CONTACT OFFICER:	Richard Simpson Executive Director of Resources (Section 151 Officer)
BACKGROUND DOCUMENTS:	None
APPENDIX:	Appendix 1 – Annual Governance Statement

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ANNUAL GOVERNANCE STATEMENT 2016/17

Scope of responsibility

Croydon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Croydon Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Croydon Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes effective arrangements for the management of risk.

Croydon Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code can be obtained from governance@croydon.gov.uk. This statement explains how Croydon Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 (1), which requires all relevant bodies to prepare and approve an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled as well as the activities through which it accounts to, engages with and leads its communities. The framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. Internal controls evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Croydon Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

The governance framework

- "Croydon's Community Strategy 2016-21" is the overarching strategy of the Local Strategic Partnership, including the Council, in support of delivery of the borough's ambitious 30 year vision, "We are Croydon". The Community Strategy is supported

by the Council's corporate plan and service plans for each department and team. These are reviewed and updated annually. In addition, the Council has its own Vision and Corporate Values statement developed after extensive consultation amongst staff to ensure there is effective management of change and transformation.

- The Council's Constitution sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making that ensures compliance with established policies, procedures, laws and regulations. The Council's policy and decision making is conducted through the Cabinet process, with the exception of non-executive matters and the Policy framework, which is set by full Council. These meetings are open to the public, except where personal or confidential matters are being discussed. In addition, the Chief Executive and senior officers make decisions under their relevant Scheme of Authorisations. The Council publishes a Forward Plan that details the key decisions to be made by the Leader Cabinet, Cabinet Committees or officers in relation to executive matters.
- The Council has a designated Director of Law & Monitoring Officer, who shall, after consulting with the Head of Paid Service and Chief Finance Officer, report to the Full Council, or the Leader in relation to an executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission would give rise to unlawful action. The Director of Law & Monitoring Officer also conducts investigations into matters referred by the Ethics Committee and delivers reports and recommendations in respect of those investigations to the Ethics Committee.
- The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution (4H). The Council has designated the Executive Director of Resources (& Section 151 Officer) as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year financial strategy that is updated annually supporting the Council's strategic objectives. The financial strategy ensures the economical, effective and efficient use of resources including a financial management process for reporting the Council's financial standing.
- The Council's financial management arrangements conform to the requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).
- The Council maintains an effective Internal Audit service that has operated, in accordance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010). As required by the Accounts and Audit (England) Regulations, the Executive Director of Resources (& Section 151 Officer) has reviewed the effectiveness of the Internal Audit service and reported this to the General Purposes & Audit Committee which has concluded that the Internal Audit service is satisfactory and fit for purpose. This undertaking is part of the core functions of the General Purposes & Audit Committee, as set out in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* and applied in the Council.
- Croydon Council has adopted strategies, policies and practices that are consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*.

- The Council has a performance planning process supplemented by detailed business planning to establish, monitor and communicate Croydon Council's objectives. This includes a performance management system that sets key targets and reports on performance monitoring to Cabinet each quarter. The performance management framework is utilised to measure the quality of services for users, to ensure that they are delivered in accordance with the Council's objectives and that these services represent the best use of resources and value for money.
- The Council has a robust risk management process to identify, assess and manage those significant risks to the Council's objectives including the risks of its key strategic partnerships. The risk management process includes a risk management policy statement, corporate and departmental risk registers, risk management steering group, and appropriate staff training. The Cabinet Member for Finance & Treasury champions risk management which is at the heart of the Council's decision making, with each Cabinet Member having access to the risks relating to their portfolio. Key corporate risks are regularly reviewed by the Divisional and Departmental Management Teams and by the General Purposes & Audit Committee.
- The Council has adopted codes of conduct for its staff and its Members, including co-opted members. These are introduced to all staff as they are inducted into the organisation and they are given their own copies. Members and co-opted members sign an undertaking to abide by their Code of Conduct at the point of their election or appointment. These Codes are available for reference at all times and reminders and training are provided as necessary.
- 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 whistle-blowing 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 whistle blowing hotline supported by a third sector partner. These arrangements are part of ensuring effective safeguarding, counter-fraud and anti-corruption arrangements are developed and maintained in the Council.
- The Council's control framework extends to partnerships and other joint working and this is reflected in the Council's overall governance arrangements.
- Many of the Council's services are delivered in partnership with commercial organisations. Where this is the case, the Council ensures that proper governance is maintained by closely following procurement procedures when awarding contracts and then robustly monitoring those contracts. Increasingly, Council services are delivered in partnership with other local public sector organisations. The most significant arrangements are grouped under the umbrella of the Local Strategic Partnership (LSP) which is led by a board made up of the Leader, relevant Cabinet Members, relevant Chief Executives or equivalent. Each of the themes within the LSP is overseen by its own board.
- The Strategic Partnership seeks to address community engagement by, amongst other methods, involving representatives from themed partnerships, business

development partnerships and the community voluntary sector alliance. The Local Strategic Partnership hosts a congress twice a year for key stakeholders from community, voluntary, business and the public sector which contribute to and influence strategy and policy of the local area. The thematic partnerships undertake a range of consultation exercises to enable all residents and customers to contribute to; and shape the strategic themed plans such as the Safer Croydon Partnership Community Safety Strategy 2014-17. In addition, the Council undertakes surveys with a representative sample of its residents who provide the Council with reliable feedback on important issues that help improve services as part of establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

- Members' induction training is undertaken after each local government election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year, including all major changes in legislation and governance issues.
- A corporate induction programme, 'Inspire', is delivered to all new staff joining the Council, supplemented by department specific elements. In addition, further developmental needs are identified through the Council's Appraisal Scheme. The Council's Organisational Development service delivers its own suite of courses covering core personal competencies. Other training solutions are provided as required. The Council has also developed a "Leading the Croydon Way" Programme to improve leadership and management competencies across the organisation. In addition, a programme entitled 'Doing the Right Thing' is run to strengthen the governance processes and procedures of the Council.

Review of effectiveness

Croydon Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This review process includes:

- The Director of Law & Monitoring Officer's annual review of the constitution to ensure its aims and principles are given full effect. This includes a review of the financial regulations by the Executive Director of Resources (& S151 Officer)
- The Scrutiny and Strategic Overview Committee's ability to "call in" the Council's key decisions prior to implementation to consider the appropriateness of the decision.
- The General Purposes & Audit Committee's responsibility for discharging the functions of an audit committee, including reviewing the risk management process, the performance of Internal Audit and agreeing the external audit plan.
- Internal audit is responsible for monitoring the quality and effectiveness of internal controls. Using the Council's risk registers and an audit needs assessment, a plan of internal audit work is developed. The outcome of the internal audit risk-based work is reported to all relevant Executive Directors and Directors and regularly to the General

Purposes & Audit Committee. Implementation of recommendations is monitored and progress reported. The work of the Internal Audit function is reviewed regularly by the external auditors who place reliance on the work completed. The Executive Director of Resources (& Section 151 Officer) has reviewed the effectiveness of the Internal Audit service and reported this to the General Purposes & Audit Committee which has concluded that the Internal Audit service is satisfactory and fit for purpose.

- The assurance provided by Members and the assurance of senior managers through the Council's Executive Leadership Team in developing departmental and corporate risk registers and agreeing annual departmental assurance statements.
- The opinion of the external auditors in their reports and annual letter.
- Other review agencies, through their inspection arrangements, such as the Care Quality Commission and Ofsted.

The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the General Purposes & Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Table 1

Based on the review the following key risks have been identified:

Key Risks	Action	Responsible Officer	Responsible Cabinet Member
<p>1. The Council faces significant reductions in its grant funding, during the period 2016 to 2020. At the same time, the Council has a rising demand for services and growth in population. The risk is that the demand/budget gap is not bridged without the Council having to introduce cuts to services.</p>	<p>The 2016/17 budget was delivered with a small underspend across the council. The 3 year savings programme that went to Cabinet and Full Council in February 2017 and which was endorsed by both of these bodies, ensures that there is a plan that the budget can be managed over the medium term.</p> <p>The Council is continuing to manage and monitor budgets closely. High risk areas are being monitored on a monthly basis and being reported to Cabinet on a quarterly basis.</p> <p>There are a number of themes that make up the savings plans, which were detailed in the Efficiency Programme approved by Cabinet in October 2016.</p> <p>The Managing Demand Programme is also looking at ways to manage costs by changing behaviours of both residents and staff.</p> <p>The delivery of the 3 year £37m savings programme is the key action to ensure this risk is mitigated.</p>	<p>Executive Director of Resources (& Section 151 Officer)</p>	<p>Cabinet Member for Finance & Treasury</p>

<p>2. Care market management providers cannot meet the Council's demands at the costs available and budgeted for. The demand for residential and nursing placements and homecare (domiciliary care) for Older People (OP) outstrips supplier capacity and capability to offer / deliver. Croydon commissions the highest number of Learning Disability placements across London and 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 often greater than the markets ability to supply and therefore becomes unsustainable.</p>	<p>Two market management strategies for domiciliary care and residential and nursing care are in development. Detailed plans for market management will come from these.</p> <p>A 3 year inflation strategy for Adult Social Care is in place with provider engagement and processes for looking at market pricing issues.</p> <p>The Improved Better Care funding released for social care will contribute to support the stabilisation of the care market.</p> <p>A market facilitation plan is in place for learning disabilities to support providers to transform their business models to support new ways of working that will support our ability to keep the market as stable as possible with a move to more personalised commissioning and purchasing of services.</p> <p>Strategic partnerships in older people and learning disabilities are being sought to ensure sufficient capacity as well as looking at in-house provision and re sophisticated pricing models.</p> <p>The Transfer of Adult Social Care programme, the Outcome Based Commissioning for Over 65s (an alliance of the Council, the CCG, Croydon Health Services, SLAM Age UK Croydon and Croydon GPs) and demand management initiatives will all contribute to that market management.</p>	<p>Executive Director of People</p>	<p>Cabinet Member for Families, Health & Social Care</p>
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<p>3. The integration of Health & Social Care could fail to progress leading to significant problems including failure to provide joined up services for the over 65's, silo working and the prospect of cost shunting between agencies.</p>	<p>The Alliance Agreement for Outcomes Based Commissioning (OBC) is now live. This agreement will:</p> <ul style="list-style-type: none"> • Deliver and expand on the new models of care for the over 65's, in particular Living Independently for Everyone (LIFE) & Integrated Community Networks (ICN's) through the 'Out of Hospital' Plan; • Support integration of social care services with health services, notably Croydon Health Services (hospital and community provider) and ensure appropriate funding sources; and • Deliver the transition plan leading to a decision to extend the Alliance in December 2017, including: <ul style="list-style-type: none"> ○ Developing the 10 year financial model; and ○ Agreeing risk and benefit share. 	<p>Executive Director of People</p>	<p>Cabinet Member for Families, Health & Social Care</p> <p>Cabinet Member for Finance and Treasury</p>
<p>4. A lack of supply of temporary accommodation and affordable accommodation increases the Council's need to use emergency accommodation results in increased costs, budget pressures, pressures on gateway services, reputational damage and the potential for legislative action.</p>	<p>The following activities are being undertaken to address the lack of supply in respect of temporary accommodation:</p> <ul style="list-style-type: none"> • Re-negotiation of the leases to Concord House, Sycamore House and Windsor House; • An increase the Council's strategy of purchasing properties in order to expand the portfolio of affordable accommodation (paper to go to Cabinet); • Review of the landlord incentive payment for the Private Rental Sector offer to remain competitive; • Regular reporting on status to the Gateway & Housing Transformation Board; • Revision of the housing allocation scheme; • Launch of Choice Based Lettings; and • Recruitment of additional staff particularly Lettings Negotiators. • Expansion of the Gateway and related services, in order to further reduce the demand for such 	<p>Executive Director of People</p>	<p>Cabinet Member for Homes, Regeneration & Planning</p>

<p>5. During the course of internal audit work during the year, a number of significant issues were identified arising from non-compliance with the Councils Contracts and Tenders Regulations.</p>	<p style="text-align: center;">accommodation</p> <p>The main issues identified related to low value spend (under £100k) and operational contract management. During 2017/18 the Council is looking to develop a new approach to low value spend and the buying process called “Easy buy”. This will seek to maximise local spend, making buying simpler with greater clarity around governance and take an approach which will help mitigate the issues raised.</p> <p>The Council’s focus in 2016/17 has been on strategic contract management of the tier 1 (highest value/ risk) service type contracts. Most of the issues raised relate to tier 2 (medium to high value) contracts or construction type projects.</p> <p>The new operational contract management toolkit will provide a consistent way of doing things as well as tools and support to ensure governance compliance.</p>	<p>Executive Director of Resources (& Section 151 Officer)</p>	<p>Cabinet Member for Finance & Treasury</p>
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Table 2 Issues raised in 2015/16 Statement and progress to date

Key Risks	Action	Progress	Responsible Cabinet Member & Responsible Officer
<p>1. The Council faces continued significant reductions in its grant funding, over the period 2016 to 2020 further confirmed by the Spending Review in November 2015. 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>The Council is building on its track record of delivering significant savings since 2010 by continuing work on transformation and demand management projects for the period 2017/20.</p> <p>Savings for 17/18 have been signed off by Cabinet as part of the 2016/17 budget setting report with a remaining gap of £26m for the 2017/20 period. Further work is being carried out on the savings options to bridge this gap which will have oversight by the Executive Leadership Team and Cabinet. Managing Demand will be a key part of that programme, as will the other themes contained in the Council's Efficiency Plan.</p> <p>The Executive Leadership Team and Cabinet have sight of the quarterly monitoring of in-year financial performance, and the Corporate Plan has been aligned to the budget to ensure priorities align with resources.</p>	<p>Progress has been made to manage the 2016/17 budget, year-end underspend on £0.05m reported. Work is underway to ensure the savings are delivered in 2017/18 and that any overspends are reported and managed, as detailed in Table 1 of this Appendix.</p>	<p>Cabinet Member for Finance & Treasury</p> <p>Executive Director of Resources (& Section 151 Officer)</p>

<p>2. There is a risk that the delivery of Outcomes Based Commissioning could fail to realize the full potential benefits of the integration of Health and Social Care provision for the over 65's</p>	<p>The 5 providers within the Accountable Provider Alliance (APA) have been meeting regularly, through the APA Executive Board, and there is now a clear integrated Model of Care that commissioners from Croydon Council and the Clinical Commissioning Group have approved. The Model of Care is closely aligned with the key workstreams of the transformation of adult social care programme and this synergy will ensure demand management and the best outcomes for our residents.</p> <p>Provider Capability Assessments have been developed to ensure that Providers are deemed capable of providing the necessary services.</p> <p>The Programme is ensuring links are made with other relevant strategies such as the Clinical Commissioning Group primary care development strategy and is working with the Corporate Programme Office in Croydon to ensure sufficient governance and risk management is in place.</p> <p>The pause to allow commissioner / provider alliance model to be fully developed and embedded is designed</p>	<p>The APA has now been transitioned into a Commissioner / Provider Alliance with the Alliance Agreement and associated service contracts commenced on 1 April 2017. The pause was lifted.</p> <p>The models of care - ICN's (Integrated Community Networks) and LIFE (Living Independently for Everyone) have been approved and signed off and are being delivered.</p> <p>A full transition plan is in place to deliver integration and a full transformation business case for a decision to extend in December 2017.</p> <p>The transition sign off will include provider capability assessment and organisational development work as well as other enablers such as IM&T and estates rationalisation etc.</p> <p>There is a new Alliance Programme Director (in post from 5th June 2017) to continue to lead and drive the programme forward.</p> <p>Internal council governance, including a Cabinet Member group has been established.</p>	<p>Cabinet Member for Families, Health & Social Care</p> <p>Executive Director of People</p>
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	to ensure that the longer term benefits of Health & Social Care Integration are realised.		
<p>3. Risk that that the impact of new Housing and Planning Bill and government policy will reduce resources and force sales to the point that the HRA is no longer viable. And in the meantime will not be able to sustain either services or investment in stock and certainly not to the current level of expectations and targets.</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%). Government policy now requires social landlords to commit to decreasing rent by 1% from 16/17 over four years. This effectively reduces resources by £3m pa against the original business planning model. In addition introduction of “Pay to Stay” the forced sale of higher value council owned properties is likely to significantly exacerbate this negative impact. The impact on Croydon will not be known until the Government issues detailed regulations later this year.</p> <p>A programme of work is underway to review the current expenditure commitments and investigate efficiency savings that can be identified within the Housing Revenue Account, as well as an assessment of the impact of various options to ensure tenants’ interests are protected.</p> <p>There are ongoing discussions regarding the potential for efficiencies</p>	<p>The council has been required to reduce rents by 1% for the past two years and will need to continue to cut them in the next two years. The government has withdrawn the ‘pay to stay’ measure and has not so far announced details of the levy however our 30/40 year HRA business plan assumes that we will need to sell about 60 properties a year to fund the levy.</p> <p>The council has instigated a programme of reductions in expenditure. In 2016/17, we reduced the stock investment capital programme by £3m. Further capital savings, amounting to £570,000, have been secured in 2017/18. The housing service is also implementing a range of revenue spending reductions and income-generating measures in 2017/18 amounting to £808,000.</p> <p>The council is currently working on the establishment of an independent charitable vehicle which we will be able to support, through the use of right to buy receipts matched by borrowing through the general fund (the level of match as required under government regulations), for acquiring new affordable homes including those developed by Brick by Brick, in return for nomination</p>	<p>Cabinet Member for Homes, Regeneration and Planning & Deputy Leader.</p> <p>Cabinet Member for Finance & Treasury</p> <p>Executive Director of Place</p>

	<p>and savings/cuts to spending from across the housing service (Place & People) e.g. repairs and maintenance, general housing management, new build schemes and 'housing plus' services such as Community Development.</p> <p>The Council is also investigating in detail the use of Right to Buy receipts and the policy of selling Council homes in order to understand the best financial approach for Croydon.</p> <p>The formation of Brick by Brick, a development company, will also allow provision of further affordable housing outside the borrowing restrictions of the Housing Revenue Account.</p>	<p>rights to enable the council to meet housing need and rehouse households on the housing register</p> <p>The establishment of a charity and three Limited Liability Partnerships to deliver this strategy was approved by Cabinet June 2017.</p> <p>Brick by Brick is on track to deliver approximately 1,000 units of mixed tenure housing (50% affordable). Planning permission has to date been granted on about 30 of the proposed sites with more at pre-application stage.</p> <p>This new supply will ensure that the council can meet its obligation to replace homes sold under Right To Buy on a two for one basis.</p>	
<p>4. Risk of continued shortage of affordable housing to meet urgent housing needs and increasing use of temporary accommodation and B&B for homeless households</p>	<p>To reduce the use of temporary accommodation and Bed and Breakfast costs, changes are being made to processes with interventions by the Gateway service actively reducing homelessness, by focusing on preventative measures. The establishment of a Homelessness Task Group provides additional challenge to the decision making process from when customers enter temporary accommodation to when a decision is made about eligibility for housing support.</p>	<p>A prevention team has been established within the Gateway Service which aims to keep people in their homes wherever possible and or find alternative homes.</p> <p>Work is also progressing on the Council's Demand Management initiative through a detailed focus on messaging to impact on behaviour.</p> <p>The Homelessness Task Group has been established and meets every fortnight.</p> <p>A Pan-London rate has been agreed and</p>	<p>Cabinet Member Families, Health & Social Care</p> <p>Executive Director of People</p>

	<p>A Pan London initiative has been developed through London Councils to achieve value for money on Bed & Breakfast rates.</p> <p>The Council is actively maintaining and strengthening partnership arrangements with Registered Providers and enabling Registered Providers of social housing to bid for sites.</p> <p>The development of a council-wide Compulsory Purchase Order Strategy will consider the use of powers to support priority areas and schemes. The development of proposals for a site acquisition and capital funding programme will enable a number of stalled sites to come forward for affordable housing through the Housing Investment Fund. The formation of Brick by Brick, a development company, will also allow provision of further affordable housing as part of Croydon's supply strategy.</p>	<p>implemented for nighty let accommodation to control and prevent authorities outbidding each other.</p> <p>There is continued working with the Greater London Authority and the London Mayor to support the provision of affordable housing in the borough.</p> <p>Brick by Brick is on course to develop identified sites. A number of sites have had their plans approved by the Planning Committee and a number of others are currently undergoing the planning process.</p>	
<p>5. Risk that a reduction in home Office funding for Unaccompanied Asylum Seekers will lead to additional budget pressures.</p>	<p>Croydon is treated as a Gateway authority due to the position of the Home Office in Lunar House. Last year, the Home Office sought to unilaterally reduce this. Based on the numbers of Unaccompanied Asylum</p>	<p>The Home Office agreed to maintain the 15-16 rates in 16-17 given Croydon's unique position with regard to Unaccompanied Asylum Seekers.</p> <p>The Cabinet Member for Finance has</p>	<p>Cabinet Member for Children, Young People & Learning</p> <p>Cabinet Member for Finance & Treasury</p>

	<p>Seeking Children supported by Croydon, the potential loss in funding equated to just under £4m.</p> <p>The Council held meetings with the Immigration Minister and others in the Home Office and entered in ongoing correspondence, conversations and clarifications with them.</p> <p>In the short-term, grant funding has been agreed with the Home Office and for the longer term, the Government is has put in place a new policy that should encourage the distribution of Unaccompanied Asylum Seeking Children more evenly across local authorities across the United Kingdom. There remains a risk, however, that grant funding is reduced more rapidly than the redistribution of children to other local authority areas.</p>	<p>written to the Home Office requesting clarification regarding the rates for 17-18. To date no confirmation has been received. We are currently working on the assumption that rates will be maintained at the current rate, although this remains insufficient to meet current costs.</p> <p>An application has been made to the Controlling Migration Fund regarding the additional costs that are not covered by the main grant. The response to this bid has been delayed by the General Election. The Immigration Act 2016 would have led to a reduction in the commitment to Care Leavers who have no recourse to public funds. However, there is a delay in implementing the relevant aspects of the Act, which leads to an annual spend of approximately £2.5m.</p>	<p>Executive Director of People</p>
<p>6. There is a risk that the scale of redevelopment anticipated in the borough over the next five years could have an adverse effect on the borough's highways and transport infrastructure, and existing business base, particularly within the metropolitan center.</p>	<p>There is an unprecedented amount of redevelopment in the borough over the next five years which includes Transport for London capital investment, schools development, public realm improvement projects and specific projects such as the Croydon Partnership redevelopment of the shopping centre.</p> <p>The programme of works continues to</p>	<p>A Construction & Logistics Sub-Group has been established chaired by the Director of Streets which replaces MIDAS. This sub-group is one of eight forming part of the governance of Croydon's Growth Zone. It is attended by TfL and GLA bringing experience of managing the impact of construction related traffic created in other large regeneration areas in London.</p> <p>The Croydon Strategic Metropolitan Board</p>	<p>Cabinet Member for Homes, Regeneration and Planning & Deputy Leader.</p> <p>Cabinet Member for Transport & Environment</p> <p>Cabinet Member for Economy & Jobs</p>

	<p>be managed through the Investment Delivery & Scheduling Group (MIDAS) which reviews plans to minimize disruption and uses a sophisticated Five Year Integrated Delivery Plan tool to do this. Challenge is provided by the Growth Board, Connected Croydon Board and tributary boards. Relevant Boards are attended by key external officers from Tramlink and Transport for London.</p> <p>The Croydon Strategic Metropolitan Board has been created and meets bi-monthly. This board is chaired by the Chief Executive and attended by relevant parties such as the Greater London Authority and has oversight of delivery of the Delivery Plan. The five year Delivery Plan is a roadmap for delivery of the whole town center redevelopment and sets out a series of outcomes and actions which the Council and partners will use to manage impact and measure success. Alongside the Plan sits a Dashboard tool which can be used to assess impact of the various developments and developments in combination. The tool can be used to effectively schedule works and manage communications.</p>	<p>has been replaced by a Major Projects and Growth Zone Board with a Steering Group reporting to this. Both joint chaired by the GLA and LBC.</p> <p>As part of the Construction & Logistics Sub-Group a number of workstreams are now active including a forum whereby all the main developers that have a presence in central Croydon attend to co-ordinate their activity. Several initiatives are also being planned that will reduce their impact including establishing HGV holding areas to manage the volume of HGV's entering the centre, particularly during peak times and appointing a specialist utility co-ordination company to liaise and plan the utility works. The integrated development dashboard will be used to plan and monitor the status of all the development sites and enable appropriate traffic mitigation measures be put into effect. Temporary Variable Message Signs will be used to inform drivers of potential delays on key routes.</p> <p>Alongside this, local businesses will be engaged and kept informed of any planned disruption and at the same time be encouraged to reduce the number of staff they have driving in by car and use sustainable transport modes instead. This technique, known as Construction Travel Demand Management has been used</p>	<p>Executive Director of Place</p>
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	All groups and boards are working together to manage the schedule of works as well as deliver a joined up communications campaign to residents and businesses.	effectively alongside major sporting events such as the Olympic Games in 2012 and the Commonwealth Games in Glasgow.	
7. Significant internal audit recommendations were raised due to a lack of compliance with the Councils Contracts and Tenders Regulations, including contract formalities and the retention and availability of key documents.	<p>The Council's contract management transformation programme will provide a framework for ensuring effective contract management arrangements are in place. As a part of developing this new approach all the Council's contracts have been identified and assessed for current levels of performance and contract management assurance. A process for the electronic retention of contracts is also being developed which will ensure that officers are readily able to access contracts in order to support commercial contract management arrangements.</p> <p>The new tenders and contracts regulations have been agreed and these seek to clarify the roles and responsibilities of everyone involved in commissioning and procurement. An organizational wide engagement process is now underway to ensure officers are aware of the changes.</p>	<p>The new tender contracts regulations were agreed and implemented.</p> <p>This implementation includes developing a new approach to electronic document retention.</p>	<p>Cabinet Member for Finance & Treasury</p> <p>Director of Commissioning & Improvement</p> <p>Executive Director of Resources (& S151 Officer)</p>
8. Internal audit work revealed on-going late	Improvements have been made to the commitment and prior authorization	Late commitments continue to be monitored by the senior management team with	Cabinet Member for Finance & Treasury

<p>commitments being raised and authorized for adult social community care payments, which are impacting financial and budgetary control.</p>	<p>process resulting in a significant improvement to the late commitment report. The report is run and examined by the Senior Management Team on a weekly basis.</p> <p>There is a review of the People Department IT systems which will recommend a change to the Adult Social Care case management system and improve the commitment and payment process. As this will take time to implement, measures taken in the interim are: a review of the business process within hospital discharges to simplify the process, a further commitment check process will be in place for emergency placements, Care Act facilitators will ensure the system process is in place before the case is presented to the panel and further training has been provided to practitioners.</p>	<p>reports run periodically and recorded through the management team minutes. This remains a high priority and has highlighted a number of financial risks to managing the budget. To further strengthen arrangements across a number of financial areas including late commitments we have agreed to bring a number of financial teams or individuals under a single finance manager who will sit in the service and report to the Assistant Directors for both under and over 65s. This post will go out to advert in June 2017.</p>	<p>Director of Adult Social Care</p> <p>Executive Director People</p> <p>Cabinet Member Families, Health & Social Care</p>
<p>9. Significant internal audit recommendations were raised relating to contract management, including weaknesses in active monitoring and physical checking.</p>	<p>The Council's contract management transformation is still in the process of being implemented. This will develop a centre of contract management excellence and provide targeted corporate support for all tier one contracts (high risk, high value). This will be supported by clear contract management guidance and tools that make clear roles and responsibilities in</p>	<p>In 2016/17 the Council's process has been focused on tier 1 service contracts by value and risk. The new Chief Executive made contracts review a key priority and has had an independent review of how contracts are managed. This has reinforced many approaches for tier 1 contracts but also suggested further framework developments to support contract management for 2017/18.</p>	<p>Cabinet Member for Finance & Treasury</p> <p>Director C&I</p> <p>Executive Director of Resources (& S151 Officer)</p>

	<p>regards to contract management, provides contract managers with tools to ensure contracts are actively managed and, ensures greater corporate visibility of overall contract portfolio performance through greater reporting requirements. This will also be supported by a programme of learning and development opportunities for those involved in managing contracts.</p>		
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. The Cabinet will also be identifying new ways of addressing the above matters. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Jo Negrini
Chief Executive

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Tony Newman
Leader of the Council

Date.....

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