

# General Purposes & Audit Committee Agenda



To: Councillor Stephen Mann (Chair)  
Councillor Joy Prince (Vice-Chair)  
Councillors Clive Fraser, Jerry Fitzpatrick, Patsy Cummings, Mary Croos,  
Jan Buttinger, Oni Oviri, Ian Parker, Steve Hollands and Muffaddal Kapasi

Reserve Members: Maddie Henson, Toni Letts, Pat Clouder,  
Jamie Audsley, David Wood, Sherwan Chowdhury, Jason Cummings,  
Badsha Quadir, Stuart Millson and Simon Brew

A meeting of the **General Purposes & Audit Committee** which you are hereby summoned to attend, will be held on **Wednesday, 18 July 2018** at **6.30pm** in **Council Chamber, Town Hall, Katharine Street, CR0 1NX**

JACQUELINE HARRIS-BAKER  
Director of Law and Monitoring Officer  
London Borough of Croydon  
Bernard Weatherill House  
8 Mint Walk, Croydon CR0 1EA

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www.croydon.gov.uk/meetings  
Tuesday, 10 July 2018

Members of the public are welcome to attend this meeting.  
If you require any assistance, please contact the person detailed above, on the right-hand side.

N.B. This meeting will be paperless. The agenda can be accessed online at [www.croydon.gov.uk/meetings](http://www.croydon.gov.uk/meetings)

## **AGENDA – PART A**

**1. Apologies for Absence**

To receive any apologies for absence from any members of the Committee.

**2. Minutes of the Previous Meeting (Pages 5 - 16)**

To approve the minutes of the meetings held on 15 March 2018, 26 March 2018 and 23 May 2018 as an accurate record.

**3. Disclosure of Interests**

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 to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. 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 Democratic Services representative at the start of the meeting. The Chair 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 of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

**5. Local Government & Social Care Ombudsman (Pages 17 - 24)**

The report of the Local Government & Social Care Ombudsman is attached.

**6. Audit Report for Brick By Brick Croydon LTD 2017 Accounts**

[Report to Follow]

**7. Financial Performance Report for 2017-18 (Pages 25 - 64)**

The report on the progress on the delivery of the Council's Financial Strategy.

**8. Audit Finding Reports**

[Report to Follow]

**9. Head of Internal Audit Annual Report 2017/18 (Pages 65 - 100)**

The report details work completed by Internal Audit in 2017/18 and the overall levels of assurance for the Council's internal control environment to support the Annual Governance Statement.

**10. Internal Audit Review of Effectiveness 2017/18 (Pages 101 - 108)**

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

**11. Anti-Fraud Update Report: 1 April 2017 - 31 March 2018 (Pages 109 - 116)**

The report of the Council's Corporate Anti-Fraud Team performance and developments during April 2017 to March 2018.

**12. Annual Governance Statement 2017/18 (Pages 117 - 140)**

The report of the Annual Governance Statement of 2017/18 is attached.

**13. GPAC Independent Non-voting Member Recruitment (Pages 141 - 144)**

This report summarises the proposed process in relation to the appointment of an independent non-voting co-opted Member on the General Purposes and Audit Committee.

**14. Exclusion of Public and Press**

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder 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 items 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.”

**PART B**

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## General Purposes & Audit Committee

Meeting of General Purposes & Audit Committee held on Thursday, 15 March 2018 at 6.30pm in Council Chamber, Town Hall, Katharine Street, Croydon, CR0 1NX

### MINUTES

**Present:** Councillor Joy Prince (Vice-Chair);  
Councillors Jan Buttinger, Jason Cummings, Patsy Cummings, Patricia Hay-Justice, Bernadette Khan, Donald Speakman and Co-optee Muffaddal Kapasi

**Also Present:** Councillor Simon Hall

**Apologies:** Councillor Karen Jewitt, Jeet Bains, Sherwan Chowdhury and Mike Fisher

### PART A

#### 48/17 **Minutes of the Previous Meeting**

**RESOLVED:** That the minutes of the meeting held on 7 December 2017 be signed by the Chair as an accurate record of the meeting.

#### 49/17 **Disclosure of Interests**

There were none.

#### 50/17 **Urgent Business (if any)**

There were no items of urgent business.

#### 51/17 **Update Report Local Government Ombudsman**

The Assistant Director of Adult Social Care and All Aged Disability provided a verbal update of the actions undertaken by the service following a service user complaint to the Local Government Ombudsman.

The Committee heard that within the last six months, the service had been working very closely with the service user and family with home life and education. The service had met all the required requirements of the Local Ombudsman and had received positive feedback from the Local Ombudsman and also the family.

The Committee further heard that the Adult Social Care and All Age Disability Service had learned a huge amount of experience from their deliverance with

the way the service was responding to complaints and working quickly and directly with families. In addition, the active programme and customer service had also been a top priority for the service.

The Committee further learned of the resources within the All Aged Disability Service, and of each division within the service [0-15 teams, 16-25 teams and adults] all cases held had been reviewed. The service had provided a team to actively work through the waiting list backlog which had been a success. The service had also been tracking cases and working with the new manager for the Complex Care Team which was a top priority for the service. The Committee heard that the two cases brought to the Local Ombudsman came from the Children's division of the All Aged Disability Service which had been addressed as all needs had been met. The Committee heard that in the Children's division there was a dedicated review team to focus on the specific cases brought to the LGO's attention. In the adults service there was a reviewing team to focus on the cases specifically, to avoid additional pressure on social workers with their caseloads. The service is achieving significant progress.

The Committee:

**RESOLVED:**

- (i). To **NOTE** the verbal update with recommendations for a written report of evidence and transparency on issues of concern and the updated progression.

The Chair thanked the officer for the update.

52/17 **Substance Misuse Internal Audit Update 2014/2015**

The presentation of Substance Misuse was shared with the Committee informing about the significant changes and improvements that had happened with the substance misuse service since the last internal audit was undertaken.

The Committee learned that substance misuse was an area for focal change, where Public Health England had produced a guidance expectation of the commissioning of substance misuse within the Local Authority area.

The Committee heard of the hard working staff in centres ensuring that the provision was working. Substance misuse also operated closely with other sectors to provide other influences of support.

The Committee heard that there had been a noticeable improvement from the clinically and treatment service that had made a real difference for the people of Croydon.

Councillor Hall shared of his visit to Lantern Hall meeting key staff and service users.

He shared that of the then limited cohort of long-term users not working to change lives and not providing the service for the non-long term, which had now shifted as Lantern Hall was providing a service that was evident as the service had changed service user's lives. This noticeable change was very visible, although there was always room for improvement, the data received from the service was positive. Councillor Hall also talked of the Hub and Spoke model approach that was actively working. The Turning Point was also another centre in Croydon of excellence.

The Committee heard that a considerable amount of work had been done within the community and this was something that was in need of support.

Members of the Committee congratulated and appreciated all the staff involved for their efforts in the change that had taken place. Members of the Committee were enlightened by the journey that had started, and which would continue to empower service users more for this kind of situation.

In response to Members comments on the improvements and changes following (a) the focus on Data Focused Needs Assessments in 2017, (b) the data estimated number in need of the service in 2014/15, and (c) the number of people who received services in 2017/18, officer's shared that there was a different mix of people in need for service in 2014/15. Ongoing, the service was reaching a high percentage of people in need within the borough and was currently seeing clients who was able to self-lead their lives. Thus a great need of increased demands, which had been the challenges faced within the service.

The Committee further learned that there was an increase in the prevalence of substance misuse in Croydon as there was more people involved, and there was different profiles on how individuals binge or have other problematic issues that included illegal drug taking and cultivating different use of alcohol. Nonetheless, Croydon Services was not seeing an increase in their clients' substance misuse.

The Committee heard that following previous concerns raised by internal audit, there had been good progress on implementing audit recommendations; out of seven recommendations raised, five had been closed and two were in progress, and so the level of engagement had eventually been successful.

Members of the Committee commended on the great work.

The Committee

**RESOLVED:**

- (i). To **NOTE** the Substance Misuse Internal Audit Update of 2014/2015; and
- (ii). To agree for a circulation of the 2014/15 data of statistics; numbers and percentages of distinctions between groups of ages and substances; the past and present and all key performance indicators, sent to Public Health England to be sent to the General Purpose of Audit Committee.

The Chair thanked the Director of Public Health for her presentation.

53/17 **Grant Thornton Reports**

The Grant Thornton representatives presented their first report to the Committee, highlighting the certification letter year ending in March 2017. The work completed was in line with the national work.

The Committee noted the good work from the report.

The officers also addressed the planned work intended to be completed by the end of July, where plans had been made to address the changes. The report summarised work completed in the year. It also highlighted significant risks subjected to judgment. In evaluation, the Brick by Brick project would have its own audit options in transactions. There was two elements related to financial statements where particular attention was to HSC and Ofsted Inspection. Officers highlighted that all the logistics was processing well.

The officers delivered their second report of the work scheduled to be completed. The report highlighted significant risks and two specific risks: (1) evaluation of level three investments; and (2) a change in the accounting system for transfer of date. Officers shared that all the work was scheduled to be completed within the statutory timetables.

The Committee

**RESOLVED:**

- (i). To **NOTE** the Grant Thornton Reports presented; and
- (ii). To request the reports for Brick by Brick and property evaluation to be brought to the next General Purpose and Audit Committee meeting in July.

The Chair thanked the Grant Thornton Representatives for the updates and the completed work.

54/17 **Internal Audit Charter, Strategy and Plan**

The Director of Governance in his role as the Council's head of Internal Audit presented his report to the Committee to reapprove the Charter and Strategy, which is an annual requirement.

The Committee learned that there was no change to the Strategy mentioned within the report other than the dates. There was also no change to the Charter addressed within the report, other than the section about Independence because of the range of other services that the Director of Governance is responsible for. The report identified that steps would be taken to maintain the independence of internal audit.



Appendix three of the report cited the proposed internal audit plan in the coming year 2018/19.

The Committee discussed the issues raised, the types of audit to be undertaken and the risk based methodology used to identify the work that needed to be included in the plan.

The Committee learned that discussions were held with members of the Executive Leadership Team and Corporate Leadership Team as part of the planning process.

The Committee

**RESOLVED:**

- (i). To **APPROVE** the Internal Audit Charter and Strategy; and
- (ii). To **APPROVE** the Internal Audit Plan for use.

55/17 **Internal Audit Update Report**

The Director of Governance presented an update report to the Committee of the work completed for the internal audits of 2017/18.

The Committee was informed that two thirds of the audits are at substantial or full assurance. Following on from the previous Committee meeting in 7 December 2017, where Members of the Committee was concerned that only forty percent of reports had been issued, the current report showed this had moved forward and there was more progress at the end of January. The service aimed to deliver all remaining work by the end of March.

In response to the Members' comments about the audit of the Mayors Charity, officers advised that there was very good engagement and all recommendations had been implemented. The work was completed very quickly. With comments in regards to the abandoned vehicles, officers shared that the service had reacted very quickly on these issues too. The Committee Members further heard that there was a current contract in place as the previous contact was implemented a year ago and had ended due to transition issues.

The Committee

**RESOLVED:**

- (i). To **NOTE** the Internal Audit Update Report.

56/17 **Anti-Fraud Update Report**

The Head of Anti-Fraud presented the report that detailed the performance of the Council's Corporate Anti-Fraud Team and included the details of the team's performance with an update on the developments during the period of 1 April 2017 to 31 January 2018.

The officer explained further of the annual target and value of fraud identified that was highlighted in table 1 in the report. It was highlighted that the outcome achieved had a lower value than the previous year. This was due to the value attributed to the removal of people on the waiting list. The value was revised by the Cabinet Office.

In response to questions raised by Members of the Committee about the expectation of a better outcome, officers highlighted that figure 1 in the report showed the key performance indicators, and noted that the numbers of successful outcomes were higher this year as work was being completed on the national fraud initiative. The Director of Governance highlighted that the targets were set based on historical outcomes, as each year the value fluctuates. The number of outcomes being higher is a significant success.

The Committee congratulated the department for its work.

The Committee

**RESOLVED:**

- (i). To **NOTE** the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2017 to 31 January 2018.

57/17 **Corporate Risk Register**

The Head of Insurance Risk and Corporate Programme Office, Finance Investment and Risk presented the report and highlighted that changes had been made since the last meeting held on 15 March 2018.

It was noted that there was risks previously in the high red had deescalated to high amber. There was also risks escalated to red status around children and exploitation.

Members of the Committee addressed the relevant issue of children and exploitation and was pleased to see the risk of exploitation of people on the risk register, which was given a level of focus. Members of the Committee requested for an update to consider the actions taken on the issue.

Members of the Committee discussed the relevant issue noting that Croydon had the largest youth population in the borough with risks of unaccompanied minors. The Improvement Plan had some focus of the specifics within this area and the Children's Safeguarding Board also focused on this issue. A progress in August would be good to have the other risks such as Missing as a related area. Members of the Committee suggested that autumn would be a good time for these issues to return to the Committee for an update.

The Committee

**RESOLVED:**

- (i). To **NOTE** the contents of the corporate risk register as at 15 March 2018.

58/17 **General Purposes and Audit Committee Annual Report 2017-2018**

The substantive Annual Report provided the work completed by the Chair in the municipal year 2017-2018, which was to be presented at Full Council. The report was to be amended with the inclusion of January statistics.

Members of the Committee commended on the work achieved by the Chair and all she had accomplished.

The Committee

**RESOLVED:**

- (i). To **APPROVE** the General Purposes and Audit Committee Annual Report 2017-2018.

59/17 **Exclusion of Public and Press**

This was not required.

The meeting ended at 8.00 pm

**Signed:**

**Date:**

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## General Purposes & Audit Committee

Meeting of held on Monday, 26 March 2018 at 5.45 pm in F9 - Town Hall

### MINUTES

**Present:** Councillor Karen Jewitt (Chair);  
Councillor Joy Prince (Vice-Chair);  
Councillors Jan Buttinger, Pat Clouder (substitute), Jason Cummings,  
Patsy Cummings, Patricia Hay-Justice and Bernadette Khan

**Apologies:** Councillor Jeet Bains and Sherwan Chowdhury

### PART A

1/18 **Disclosure of Interests**

There were none.

2/18 **Urgent Business (if any)**

There were no items of urgent business.

3/18 **Cost Recovery for Re-Inspection under the National Food Hygiene Rating Scheme**

The Director of Safety and the Food and Safety Manager introduced the report and explained the premise for the proposed charging regime for re-inspection. Members asked questions surrounding the logistics of inspections and the situation as it currently stood. Concern was raised over the effect it would have on small businesses, however officers reassured members that re-inspection was optional. Some Members highlighted the importance of protecting the health and safety of residents and officers noted that there was an expectation that legislation pertaining to the compulsory display of health ratings on premises would be extended to England in the future.

The Committee **RESOLVED** to:

- 1.1 Note the report and basis for the proposed changes to the operation of FHRS in the borough.
- 1.2 Adopt the revised FHRS scheme (Brand Standard Revision 6 June 2017) as published by the FSA.

- 1.3 Approve the introduction of a flat fee charge of £180 for re-rating inspection visits on a full-cost recovery basis, with effect from 1 April 2018 in accordance with the calculations at Appendix 1 of the report.
- 1.4 Delegate to the Executive Director Place, in consultation with the Cabinet Member for Communities, Safety and Justice, the authority to annually review the flat fees and the recovery basis to ensure that year on year the authority is not making a surplus from such fees, such authority to include the ability to either increase or decrease such fees in accordance with the actual cost of re-inspections.

4/18 **Exclusion of Public and Press**

Note required.

The meeting ended at 6.02 pm

**Signed:**

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**Date:**

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**General Purposes & Audit Committee**

Meeting of held on Wednesday, 23 May 2018 at 7:34pm in Council Chamber - Town Hall

**MINUTES**

**Present:** Councillors Jan Buttinger, Mary Croos, Patsy Cummings, Clive Fraser, Steve Hollands, Stephen Mann, Oni Oviri, Ian Parker and Joy Prince

**Apologies:** Councillor Jerry Fitzpatrick

**PART A**

1/18 **Appointment of Chair and Vice-Chair**

The Committee **RESOLVED** to appoint Councillor Stephen Mann as Chair and Councillor Joy Prince as Vice-Chair for the Municipal Year 2018-2019.

The meeting ended at 7:35pm

**Signed:** .....  
**Date:** .....

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<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> 18 July 2018
<b>SUBJECT:</b>	<b>Local Government &amp; Social Care Ombudsman</b>
<b>LEAD OFFICER:</b>	<b>Shifa Mustafa, Executive Director Place</b>
<b>CABINET MEMBER:</b>	<b>Cllr Alison Butler</b> <b>Cabinet Member for Homes &amp; Gateway Services</b> <b>Deputy Leader</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b>	
<b>FINANCIAL IMPACT:</b> This case has resulted in a financial cost to the Council of £250 which has been funded from existing service budget.	

- 1. RECOMMENDATIONS**
- 1.1. The Committee is asked to note the Council’s response to the Local Government & Social Care Ombudsman report.

**2. EXECUTIVE SUMMARY**

- 2.1. A complaint came in to the Council from a service user which escalated to the Local Government & Social Care Ombudsman (LGSCO). After the investigation was completed, the LGSCO asked the Council to review the draft decisions and recommendations. Factual changes were made to the draft; the Council accepted the report with no disagreement to the recommendations that were advised by the LGSCO. The Council expressed the view that it accepts the investigation findings and recommendations and the service team has completed the recommendations ahead of the time scales given.

**3. DETAIL OF YOUR REPORT**

- 3.1. Findings from the Ombudsman
  - 3.1.1. In April 2018 the LGSCO published a report finding fault causing injustice to the complainant – Mr X, around the Council’s failure to consider all aspects of Mr X’s Housing Register Review; specifically the request to be considered for a 2-bedroom accommodation due to his medical condition. The service involved

has taken the issues that have been identified by the LGSCO very seriously and implemented the recommendations as directed by the LGSCO. The service has taken action to ensure that lessons are learned from this case to ensure all Housing Register Reviews are carried out comprehensively.

3.1.2. The key findings and recommendations by the LGSCO are detailed in Appendix 1.

### **3.2. Actions taken by the Council**

3.2.1. The actions the Council has taken are as follows:

- Apologised to Mr X for the undue distress caused by not considering his Housing Register Review in a timely fashion.
- Apologised to Mr X for failing to fully consider his Housing Register Review in its entirety.
- Carried out a fresh review of the decision regarding Mr X's medical priority and request for two bedroom accommodation. The decision was issued to Mr X via his solicitor.
- Issued a full compensation payment to Mr X of £250 for the distress caused by the delay and his time and trouble pursuing this complaint.

3.2.2. The above actions were taken within one month of the report being published.

### **3.3. Lessons Learnt, Improvement and Prevention**

3.3.1. The Housing Solutions Service apologises unreservedly for the anguish caused to Mr X during the process. The Service recognises that in its attempt to 'appease' and exercise its duty of care to Mr X under the Equalities Act 2010, it inadvertently caused further delays thereby adding to the distress. The service are committed to ensuring that this situation does not happen again.

3.3.2. The lessons learned from this case and measures identified to ensuring an improvement in the processes are as follows:-

- Clearer statistics on the total number of Housing Register Reviews being received into the service to ensure a more timely response to all.
- Closer monitoring of 'repeat contacts' to identify earlier, cases which may need to be prioritised due to a perceived 'urgency'.
- Training and lessons learned sessions to be included in the weekly Reviews team meetings.
- Clearer line drawn between what would constitute a 'Housing Management' issue and a Housing Register Review.
- Clearer line drawn between the remit of the HMA, coupled with training and development to empower the team to feel confident in making their assessments where a health-related housing concern exists.

3.3.3. This case has also helped the service identify where it does work well and can continue to make improvements in these areas; such as successful joined up working practices within the Housing Needs Division and social care; in that the officers involved were able to identify a potential vulnerability and make the necessary reasonable adjustments, accordingly.

#### **4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

4.1. The financial recommendations made by the LGSCO were:

- pay Mr X £250 for the distress caused by the delay and his time and trouble pursuing the complaint.

4.2. These payments have been made and funded from existing service budget.

Approved by *Sarah Attwood.*, Department Head(s) of Finance/nominated deputy(ies))

#### **5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

5.1. The Solicitor to the Council comments that by presenting the Local Government & Social Care Ombudsman's findings to this meeting of the GPAC, the Council has fulfilled its obligations under section 31(2) of the Local Government Act 1974.

Approved by: Sean Murphy head of ....law/ interim head of .....law ) on behalf of the Director of Law and Monitoring Officer

#### **6. HUMAN RESOURCES IMPACT**

6.1. None

#### **7. EQUALITIES IMPACT**

7.1. None

#### **8. ENVIRONMENTAL IMPACT**

8.1. None

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#### **CONTACT OFFICER:**

Mark Meehan, Director of Housing Need

#### **APPENDICES TO THIS REPORT:**

Report

Appendix 1 - Excerpt from the LGSCO

**BACKGROUND DOCUMENTS:** None

## **Appendix 1 ~ Excerpt from the LGSCO Report:**

### **What we found**

14. Mr X lives in a one bedroom ground floor property which he rents from the Council. Mr X believes this is temporary accommodation. However, this is permanent accommodation as he has a secure tenancy with the Council.
15. In November 2015 Mr X applied for rehousing with the Council. His application was cancelled in December 2015 as the Council said he was adequately housed.
16. Mr X complained to the Council about his housing in March 2017. The Council responded to his complaint in April 2017 to say that it considered he was adequately housed. The Council gave Mr X advice about other rehousing options open to him.
17. The Council received a further complaint from Mr X on 2 May 2017 explaining he had medical evidence the Council should consider. Mr X said he needed to move from his current property due to noise and anti-social behaviour which was having a significant impact on his epilepsy. Mr X also said he needed a two bedroom property so he could have someone stay with him overnight to care for him.
18. Mr X enclosed two letters with his complaint both from his consultant neurologist that were dated December 2016. The consultant neurologist explained Mr X's condition had deteriorated and the frequency of his seizures was *"life threatening and... the only way these will come under better control is if he is in more suitable accommodation"*.
19. Mr X also enclosed a letter from his GP which said Mr X required two bedroom accommodation so a carer can stay overnight. The GP also said that Mr X: *"... suffers with severe anxiety and agoraphobia – many of the medications usually used to treat anxiety are contraindicated for him, due to his epilepsy. His epilepsy is known to be worse with noisy situations"*.
20. The Council accepted this as a request for a review of Mr X's housing application from November 2015.
21. The Council spoke to Mr X on 12 June 2017 and he agreed to provide further supporting medical evidence. This was sent to the Council on 30 August 2017. Mr X provided another letter from his consultant neurologist dated July 2017 which said Mr X *"has frequent severe seizures and therefore needs supervision and quiet housing, to ensure he gets sufficient undisturbed sleep as sleep deprivation can provoke seizures"*.
22. The Council sent the information to its Independent Housing Medical Advisor who replied on 28 September 2017 and said *"epilepsy but no evidence health related housing needs"*.
23. In its response to our enquiries the Council said that Mr X's review was *"ongoing"* due to *"the complexity of the case and sensitivity needed"*. The Council said the medical evidence was considered by its *"Independent Housing Medical Advisor... who was unable to award any medical priority or agree his needs warrants a 2-bedroom property"*.

24. The Council was considering whether a transfer can be granted *“on the basis of safeguarding”*. The Council said it was liaising with *“the local Safer Neighbourhood Teams to assess the gravity of [Mr X’s] complaints against his neighbours... we are awaiting comments from the police in response to our enquiries... We are also exploring an alternative rehousing solution for [Mr X] – the possibility that he can be rehoused with his mother to a larger accommodation; as he has expressed a fear of being alone. This rehousing avenue is in its infancy and has yet to be fully explored”*.

25. On 20 December 2017 the Council wrote to Mr X to say he was being *“prioritised for an allocation to a suitable 1-bedroom property”* on a discretionary basis. In its letter the Council said Mr X’s needs *“did not meet the minimum threshold to be included on the register under [its] Health Related criteria”*.

## Conclusions

26. The Council’s policy says it will take eight weeks to carry out a review of a decision on a person’s housing application. It has taken the Council 33 weeks to carry out the review. Part of the delay resulted from the Council waiting for Mr X to provide further medical evidence but this only accounts for a period of 11 weeks. It has still taken the Council over 10 weeks more than it should have to complete its review and issue Mr X with a decision. This is fault.

27. Mr X’s review was about the Council’s decision not to award him medical priority on his housing application. The Council could have completed this review whilst still considering other housing options for Mr X, such as a housing management transfer.

28. There is also fault in the way the Council reached its decision not to award Mr X medical priority based on advice from its Independent Housing Medical Advisor. It is for the Council to make a decision on medical priority and not the Independent Housing Medical Advisor. The Council is entitled to take account of the Independent Housing Medical Advisor’s opinion but must also take account of other medical evidence it receives.

29. In reaching its decision the Council should consider the fact that its Independent Housing Medical Advisor has not examined or spoken to Mr X. Furthermore, the Independent Housing Medical Advisor’s advice does not address the issues raised by Mr X’s consultant neurologist or his GP regarding the impact of his medical conditions on his housing.

30. In its response to our draft report the Council says it *“seeks medical opinion from its Independent Medical Adviser but the council makes the decision on medical priority”*. The Council’s response to our draft report indicates its current approach to considering medical evidence is now in line with its own policy and established case law. Therefore, we have made no recommendations for the Council to review its policies and procedures.

31. As a result of the fault Mr X has been caused distress whilst waiting for an outcome from the Council regarding his housing and has been put to time and trouble pursuing the complaint.

32. We cannot comment on the Council's actions regarding Mr X's housing management transfer as a result of safeguarding concerns. This is because it is a housing management issue and so we cannot investigate this.

## **Recommendations**

33. The Council must consider the report and confirm within three months the action it has taken or proposes to take. The Council should consider the report at its full Council, Cabinet or other appropriately delegated committee of elected members. We will require evidence of this. (*Local Government Act 1974, section 31(2), as amended*)

34. In addition to the requirements set out above the Council has agreed to:

- carry out a fresh review of its decision regarding Mr X's medical priority and request for two bedroom accommodation and issue Mr X with a decision. The decision letter should explain the reasons for the Council's decision.
- pay Mr X £250 for the distress caused by the delay and his time and trouble pursuing this complaint.

If the Council decides to award Mr X medical priority this should be backdated to 2 May 2017.

## **Decision**

35. We will now complete our investigation. This is because we have found fault causing injustice and the action we have recommended is a suitable way to remedy this.

Wednesday, June 27, 2018

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**Announcements - Public Notices**

**Report of Local Government and Social Care Ombudsman**

The Local Government and Social Care Ombudsman has issued a report following its investigation of a complaint against London Borough of Croydon. The complaint was about a Housing matter.

The Ombudsman found that there had been fault on the part of the Council, and this had caused an injustice to the complainant.

London Borough of Croydon has agreed to take action which the Ombudsman regards as providing a satisfactory remedy for the complainant.

The Council will further consider the report and tell the Ombudsman within three months what it proposes to do.

Copies of the report will be available for public inspection during normal office hours at Broomfield Westwood House, 4 Mat Walk, Croydon, CR0 1EA and at Croydon Town Hall, Whitfield St, Croydon CR0 1EX for three weeks starting on 20 June 2018.

Anyone is entitled to take copies of the report or extracts from it. Copies will be supplied at a reasonable charge.

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# Agenda Item 7

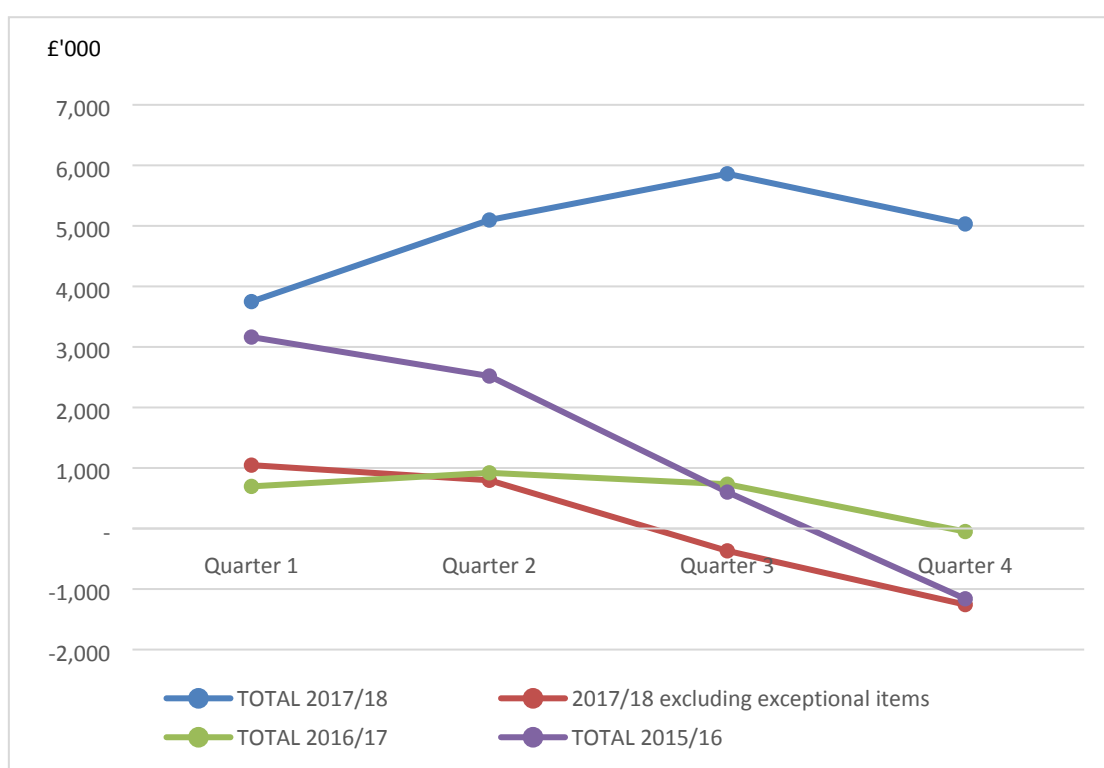
<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> <b>18 JULY 2018</b>
<b>SUBJECT:</b>	<b>FINANCIAL PERFORMANCE REPORT FOR 2017/18</b>
<b>LEAD OFFICER:</b>	<b>RICHARD SIMPSON</b> <b>EXECUTIVE DIRECTOR RESOURCES</b> <b>(SECTION 151 OFFICER)</b>
<b>CABINET MEMBER:</b>	<b>COUNCILLOR SIMON HALL CABINET MEMBER FOR FINANCE AND RESOURCES</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> The report is a statutory requirement and communicates to our key stakeholders the Council's financial performance and outcome for the period 1 April 2017 to 31 March 2018. 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.	
<b>FINANCIAL SUMMARY:</b> This report sets out the financial performance of the Council for the period 1 April 2017 to 31 March 2018, which showed an overspend of £5.032m, after exceptional items of £6.289m.	
<b>FORWARD PLAN KEY DECISION REFERENCE No.:</b>	
<b>RECOMMENDATIONS</b>  <b>The Committee(s) is asked to:</b>  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;  1.2 Note the Council's outturn position, and the progress of the Council's current Financial Strategy objectives;  1.3 Note the departmental outturn variances as contained within Table 2 and Appendix 1 of the report;  1.4 Note that a report seeking final approval of the accounts following their review by external audit is a separate item on this agenda  1.5 Note following a review of the financial strategy a new financial strategy will be presented to Cabinet in September 2018.	

## 2. EXECUTIVE SUMMARY

- 2.1 This report presents to the Committee progress on the delivery of the Council's Financial Strategy. The final budget position of the Council for 2017/18 was an overspend of £5.032m, after exceptional items of £6.289m., which has been funded from our usable general fund balances and Council tax surplus. The Council's collection fund is currently in surplus, however due to accounting restrictions the surplus isn't released until the year following the year it is achieved. This surplus of £4.7m has been released on the 1<sup>st</sup> April 2018, and released to go back into reserves in 2018/19.
- 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 2017/18 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 2017/18 budget.
- 2.5 Specific measures put in place to manage the budget included:-
- Better integration between health and social care including the One Croydon Alliance, the Outcomes Based Commissioning Programme for over 65's.
  - Additional governance measures put in place for Adult Social Care placements.
  - Continuation of the Gateway service to provide more support at the front door to prevent service users coming in later with more expensive issues.
  - Continuation of the Think Family programme – focusing on the top most expensive families who use multiple council services to make efficiencies through a joined up approach.
  - Implementation of the recommendations from the Children's Social Care Ofsted inspection (this has resulted in additional investment in the short term).
  - The continuation of the review of agency staff across all areas of the Council, with a drive to reduce reliance on agency staff and increase the number of permanently employed staff.
  - Greater use of our assets including leasing additional floors of Bernard Wetherill House.

- 2.6 Throughout the year, through the quarterly monitoring reports, Cabinet have been kept updated on areas of the Council's budget that have been impacted on heavily and have led to significant pressures during the year. These include Adult Social Care demands, Children Social Care demand and the impact following the recent OFSTED inspection, UASC and NRPF, and Temporary and Emergency Accommodation including Bed & Breakfast.
- 2.7 Through strong financial management the revenue budget has been carefully managed and the outturn for 2017/18 was an overspend of £5.032m. This is an improvement from the anticipated overspend that was reported at quarter 3 of the 2017/18 financial year of £5.861m

**Graph 1 – 2017/18 Outturn**



- 2.8 The target set out in the Financial Strategy is to hold General Fund balances of 5% of the council's net budget requirement. For 2017/18 this would equate to balances of £13m (currently £10.4m). 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 £13m over this period. This would see the 5% target reduce by £0.5m, making it £12.5m by the end of 2020.
- 2.9 The 2017/18 overspend of £5.032m is made up of Departmental over spends of £6.774 offset by non-departmental underspends of £8.031m and exceptional items of £6.289m. Details are provided in Table 1, of this report.

- 2.10 The Council's earmarked reserves have decreased by £16.375m to £13.746m. A number of targeted funding streams have continued to be drawn out of reserves in 2017/18 to support delivery, mainly around the transformation agenda.
- 2.11 General Fund Schools' reserves have decreased by £0.898m to £2.407m, which continues to reflect the conversion of maintained schools to academy status.
- 2.12 The Council's General Fund Provisions have increased from £37.1m to £43.2m as at 31<sup>st</sup> March 2018.
- 2.13 The Collection Fund has carried forward an overall surplus of £17.046m, of which Croydon's share is a surplus of £6.823m. Croydon's share is comprised of a Council Tax surplus of £5.058m and a Business Rates surplus of £1.765m. This represents a significant improvement on previous years, notably reflecting the record collection rates achieved in 2017/18.
- 2.14 The HRA final outturn shows a surplus of £1.981m which has been transferred to HRA reserves.
- 2.15 The Council's Pension Fund increased in value in 2017/18 by £27m to a value of £1.131bn.
- 2.16 The draft accounts have been prepared and have been presented to the Council's external auditors in line with the statutory deadline of 31<sup>st</sup> May 2018. This is the first year of the faster closedown requirement, and the council achieved this date, some 20 working days faster than accounts preparation in the previous year. 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.
- 2.17 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 2017/18, and provides an update on progress towards the Council's financial strategy objectives. The council's draft accounts have been published on the Council's website to be reviewed in more detail. This is in addition to the statutory public inspection periods, which runs from 1 June to 13 July 2018.
- 2.18 The draft accounts will be subject to external audit. If there are any significant changes to the draft accounts, they will be set out within the Grant Thornton external audit report, which will be presented to the General Purposes and Audit Committee in July. This report will also summarise 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 2017/18

- 3.1 Departmental spend was £6.774m more than budgeted in 2017/18. 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 had been built into the 2017/18 to reflect a new achievable budget for these areas. The main overspends were on placement costs in relations to looked after children and children with disabilities.
- 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 £8.031m of savings to offset departmental pressures and exceptional items, which total £6.289m and include costs from UASC, NRPf, and Universal Credit.

**Table 1 - Revenue Outturn Summary for 2017/18**

Quarter 3 forecast outturn variance £'000	Department	Revised Budget £'000	Outturn 2016/17 £'000	Variation from Revised Budget		Variation to Gross Dept Expenditure
				£'000	%	%
5,664	People	158,808	167,656	8,848	5.6%	5.28%
-2,259	Place	71,271	68,492	-2,779	-3.9%	-4.06%
1,192	Resources and Chief Executive	14,046	14,751	705	5.0%	4.78%
4,597	<b>Departmental Total</b>	244,125	250,899	6,774	2.8%	2.70%
-4,966	<b>Non-Departmental Items</b>	-244,125	-252,156	-8,031		
6,230	<b>Exceptional items</b>	0	6,289	6,289		
5,861	<b>Total transfer to / (from) balances</b>	0	5,032	5,032		

- 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 2017/18 (+/- £500k)**

**PEOPLE**

Division	Underspend £000	Overspend £000	Explanation of variance
<b>Early Help and Children's Social Care (CSC)</b>		597	<b>Early Help and CSC Directorate</b> - Increased legal costs and delayed digital and enabling savings
		952	<b>Care Planning Service</b> - Increase in the costs of Section 17 B&B places, which are court driven. Additional costs of supernumerary and locum staff.
		8,093	<b>Looked After Children (LAC)</b> - Increase in the number of external placements and specialist foster care placements.
<b>Adult Social Care &amp; All Age Disability</b>		592	<b>Adult Social Care and All Age Disability Service</b> - Delayed digital and enabling savings and increased enhanced pensions and legal costs
	(596)		<b>Disability Commissioning and Brokerage</b> - Underspend relates to staffing vacancies leading to delays in commissioning
<b>0-25 SEND Service</b>		1,364	<b>Children with Disabilities</b> - Increase in Transitions, care packages and staffing costs.
<b>All divisions</b>	(2,154)		Variances under £500k
<b>Sub-total</b>	(2,750)	11,598	
Department Total		8,848	

## PLACE

Division	Underspend £000	Overspend £000	Explanation of variance
Streets		1,804	<b>Waste</b> – pressure on cost of disposal caused by 2.5% year-on-year growth on landfill tonnages plus shortfall on rebate for recycle material
	(1,675)		<b>Street Lighting</b> – Credit amounts relating to the PFI street lighting contract and energy costs
Safety	(1,100)		<b>Parking</b> – income levels higher than forecast partly due to a shift towards electronic payment methods and partly due to CPZ permits
Gateway and Welfare and Housing Need	(830)		Flexible homelessness support grant remaining after funding the pressures in the Emergency and Temporary Accommodation budgets
		2,353	Increase in Bad debt provision reflecting the impact of Universal Credit
	(2,353)		Universal Credit costs reported as an exceptional item
	(579)		Additional funding for UC received from DWP
All divisions	(1,370)		Variances under £500k
Sub-total	(8,832)	6,053	
Department Total		(2,779)	

## RESOURCES AND CHIEF EXECUTIVES

Division	Underspend £000	Overspend £000	Explanation of variance
Customer and Corporate Services		1,318	<b>Revenue and Benefits, Business Support and Customer Contact</b> - Delay on delivery of digital and enabling savings and under recovery of business support income
	(1,779)		<b>ICT</b> - Saving on the ICT contract plus additional project work charged to capital
	(600)		<b>Facilities Management</b> – reduction in organisational demand for FM services
Commissioning and Improvement		3,080	<b>SEN Transport</b> - increasing service demand and complexity of need
Finance Investment and Risk	(808)		<b>Assets</b> – Over-achievement of rental income
Legal	(525)		Overachievement of legal income

<b>Communication and Engagement</b>		864	Unachievable digital advertising income
<b>All divisions</b>	<b>(845)</b>		Variances under £500k
<b>Sub-total</b>	<b>(4,557)</b>	<b>5,262</b>	
Department Total		705	

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 2017/18 (+/- £500k)**

Explanation of variance	Underspend (£000)	Overspend (£000)
Use of contingency budget	(1,000)	
Additional Utility costs		1,121
Lower interest borrowing costs and Minimum Revenue Provision	(2,287)	
Additional income and grants: Section 31 funding, Education Services Grant	(4,040)	
Housing Benefits - position more favourable than estimated at Quarter 3	(1,202)	
Variances under £500k	(623)	
<b>Sub-total</b>	<b>(9,152)</b>	<b>1,121</b>
<b>TOTAL</b>		<b>(8,031)</b>

3.5 Table 4 below gives details of all the exceptional items. These exceptional costs relate to additional costs associated with Unaccompanied Asylum Seeking Children (UASC) over and above the burden on Croydon council taxpayers assumed in the 2017/18 budget, the impact of the failure of Central Government to implement the provisions of the Immigration Act as far as they would impact on No Recourse to Public Funds costs for UASC and the impact of Universal Credit in Croydon.

**Table 4 – Exceptional Items**

Explanation of variance	Underspend (£000)	Overspend (£000)
Additional Costs in relation to Unaccompanied Asylum Seeking Children (UASC)	-	2,936
No Recourse to Public Funds costs for UASC	-	1,000
Impact of Universal Credit	-	2,353
	-	<b>6,289</b>



3.6 Table 4 below shows the resultant position on the Council's balances and reserves as at 31 March 2018, 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**

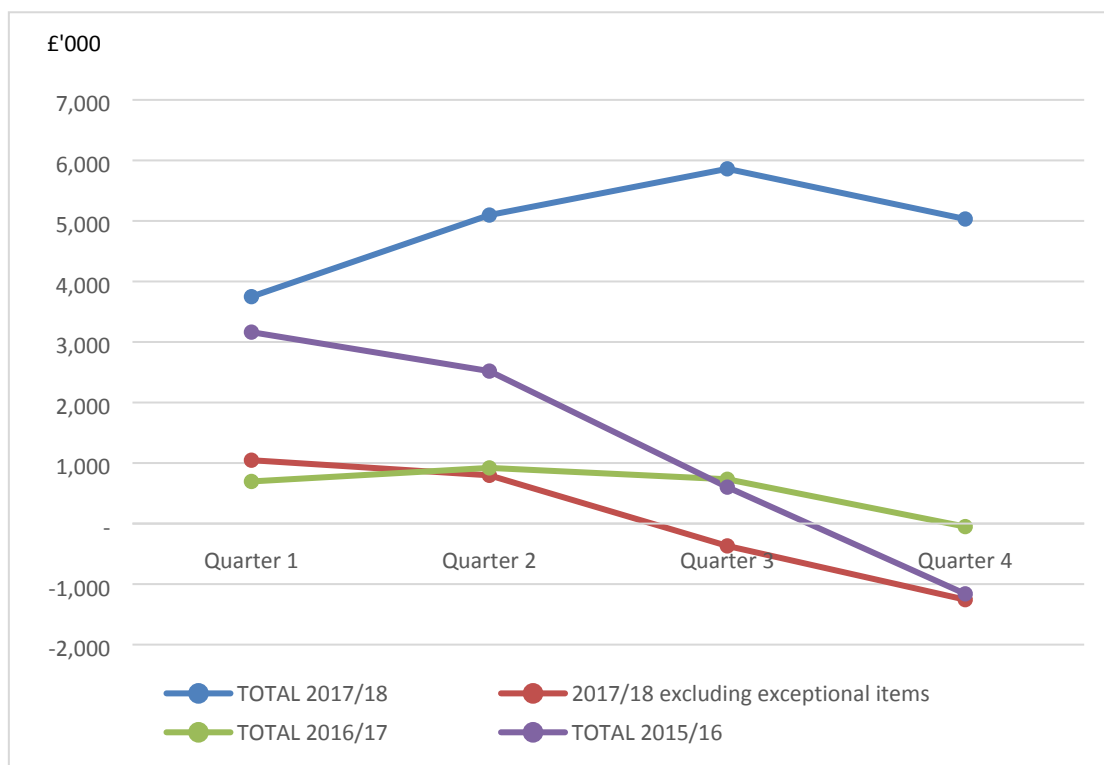
<b>Balances and Reserves</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>
General Fund Balances	10.7	10.7	10.4
Earmarked Reserves	40.1	30.1	13.7
General Fund Provisions	36.3	37.1	43.2
Capital Receipts	10.0	7.40	11.0
Right to Buy Receipts	21.8	38.6	44.4
<b>Total</b>	<b>118.9</b>	<b>123.9</b>	<b>122.7</b>

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

### **3.8 REVENUE BUDGET MANAGEMENT**

3.8.1 The overall revenue outturn position for 2017/18 is a £5.032m overspend. 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 from 2015/16 to 2017/18.

**Graph 2 – Comparison of Council Forecast Outturn 2015/16 to 2017/18**



3.8.2 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 2017/18 £'000	TOTAL 2016/17 £'000	TOTAL 2015/16 £'000
Quarter 1	1,049	696	3,163
Quarter 2	5,097	920	2,519
Quarter 3	5,861	732	602
Quarter 4	5,032	(50)	(1,161)

## TRANSFORMATION

3.8.3 The Council has been making use of new guidance on use of flexible capital receipts which were published by the MHCLG in March 2016. This allows local authorities to use capital receipts to fund the up-front set up or implementation costs of projects that will generate future ongoing savings and/or transform

service delivery. Table 6 below provides details of the transformation projects that have been funded from capital receipts during 2017/18.

3.8.4 The Council presented a strategy to Cabinet on 11th December 2017 (Min 98/17) that set out the intended usage of flexible capital receipts during 2017/18. Table 6 below gives details of the projects.

**Table 6 – Transformation Projects**

<b>Programme/Area</b>	<b>2017/18 £'000</b>	<b>Description</b>
Housing Initiatives	580	This included a range of projects through managing demand and commercial approach programme that seek to reduce both the costs and demand arising from homelessness, through better procurement and incentive payments to secure accommodation.
Adult Social Care new Initiatives	3,119	Investment in Adult Social Care to ensure the delivery of effective services, working with external partners and health colleagues in the One Croydon Alliance to ensure our services are delivered efficiently and effectively and will enable us to manage costs in the future.
Children's Services	3,230	The recent Ofsted inspection has led to further investment in children's social care, front line social work staff and back office business support. This investment is essential to ensure we deliver the improvement plan in a timely manner. Further investment in this area will lead to the delivery of future savings in all areas of the service from initial assessment, to school places and managing the transition to adulthood.
Environment Projects	556	A series of works was undertaken to review and redesign the Council's delivery of leisure and waste collection services, which will reduce future costs of these services.
Demand Management	2,510	This programme is designed to look at both front line services and back office services to understand what is driving demand as part of the demand management programme, how to manage and reduce demand where appropriate. Investing in prevention and avoidance activity is key to future proofing services and includes projects such as adults and children's social care, the use of legal services, the use of office space alongside changing the behaviours of both our residents and staff.
Transformation programme including ICT	4,508	Through the transformation agenda, a programme of digital and enabling works was initiated to review how Croydon could work more effectively as an organisation, the outcome of which will identified a series of measures that have been put in place to improve efficiency and effectiveness.
<b>Total</b>	<b>14,503</b>	

3.8.5 To date £14.5m of projects have been funded from the flexible capital receipts with a further £6m earmarked to be funded in future years.

#### 4. CAPITAL OUTTURN 2017/18

4.1 The original approved capital programme totalled £414m, which was decreased during the year to £255m to reflect both programme slippage and re-profiling of schemes. Outturn capital spend was £153m, with the resultant underspend of £102m (40%) mainly attributable to slippage in the delivery of schemes. Table 7 below, shows spending against budget by Department in 2017/18 and Appendix 2 provides a detailed breakdown of spend against budget for the capital programme.

**Table 7 – Capital Outturn Variances for 2017/18**

Department	Original Budget £'000s	Budget Adjustments £'000s	Revised Budget £'000s	Outturn £'000s	Outturn Variance £'000s
People	68,748	4,747	73,495	43,568	-29,927
Place	311,900	-175,991	135,909	71,055	-64,854
Resources	6,126	8,443	14,569	11,635	-2,934
<b>General Fund</b>	<b>386,774</b>	<b>-162,801</b>	<b>223,973</b>	<b>126,258</b>	<b>-97,715</b>
Housing Revenue Account	27,051	3,943	30,994	26,465	-4,529
<b>Total Capital</b>	<b>413,825</b>	<b>-158,858</b>	<b>254,967</b>	<b>152,723</b>	<b>-102,244</b>

4.2 The impact of slippage from 2017/18 into the 2018/19 capital programme will be considered as part of the July Financial Review Cabinet report. Capital schemes in 2017/18 included the following:

- ▶ Education Estates Strategy;
- ▶ New Addington Leisure Centre;
- ▶ Restoration of Old Ashburton Library;
- ▶ Improvements to the Public Realm;
- ▶ Commencement of Growth Zone
- ▶ House building by London Borough of Croydon development company Brick by Brick, including continued refurbishment of Fairfield Halls;
- ▶ Financing for Affordable Homes.

#### 5. HOUSING REVENUE ACCOUNT (HRA)

5.1 The final outturn shows a surplus of **£1.981m** 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 8 below.

**Table 8- Analysis of Housing Revenue Account Variances 2017/18**

<b>Division</b>	<b>Underspend £000</b>	<b>Detailed explanation</b>
HRA – Housing Needs	(247)	Underspend due to savings on central costs including recharges
HRA – District Centres and Regeneration & Safety	(1,734)	Underspend due to reduced void levels, fewer gas entries than anticipated and staff vacancies across the service
<b>Total HRA underspend</b>	<b>(1,981)</b>	

5.3 HRA capital expenditure totalled £26.465m. Expenditure was lower than the revised budget of £30.993m by £4.528m, due principally 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 9 below shows the resultant position on the HRA balances and reserves at 31 March 2018 compared with previous year.

**Table 9 – Movement in HRA reserves and balances**

<b>HRA</b>	<b>Balance at 01-Apr-17 £'000</b>	<b>HRA Outturn 2017/18 £'000</b>	<b>Balance at 31-Mar-18 £'000</b>
<b>Reserves</b>	<b>(12,555)</b>	<b>(1,780)</b>	<b>(14,535)</b>
Major Repairs Reserve	(1,294)	(635)	(1,929)
<b>Total</b>	<b>(13,849)</b>	<b>(2,415)</b>	<b>(16,564)</b>

## **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 Council's annual accounts publication. Table 10 below shows the change in the value of the Croydon Pension Fund during 2017/18: -

**Table 10 - Pension Fund Performance 2017/18**

Detail of Composition of Net Assets	2016/17	2017/18	Net Increase / (Decrease)	Change
	£m	£m	£m	%
Total Investments	1,046.186	1,106.620	60.434	5.8%
Other balances held by Fund Managers	2.697	1.465	(1.232)	(45.7%)
Debtors	3.090	4.052	0.962	31.1%
Cash Held by:				
Fund Managers	17.460	8.603	(8.857)	(50.7%)
London Borough of Croydon	36.164	17.380	(18.784)	(51.9%)
Creditors	(1.542)	(6.759)	(5.217)	338.3%
<b>Net Assets at Year End</b>	<b>1,104.055</b>	<b>1,131.361</b>	<b>27.306</b>	<b>2.5%</b>

6.2 For the year ending 31 March 2018, the Fund produced an investment return of 3.85% which along with net cash outflow of £10m from the Fund, meant the net value increased by 2.5% 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 although the Fund was 2.6% below the benchmark for the year, but has exceeded the return assumed by the actuaries. Over a 5 year period the Fund has returned 9.20% p.a. which is 3.84% above the benchmark return. This is 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 11 below shows annualised performance by asset class over the 12 months to 31 March 2018.

**Table 11 – Performance by asset class for the year end 31/03/18**

<b>Asset Class</b>	<b>Value at 31-3-18 £m</b>	<b>Return %</b>	<b>Benchmark %</b>	<b>Over / Under performance %</b>
Global Equities	578.962	0.54	0.67	(0.13)
Global Bonds	63.692	0.97	2.65	(1.68)
Global Bonds and Absolute Returns	128.716	0.50	1.10	(0.60)
Private Equity	88.836	8.30	7.44	0.86
Infrastructure	112.061	10.20	7.44	2.76
Property	134.352	10.30	10.00	0.30
Cash & other	24.742	-	-	-
<b>Total Fund</b>	<b>1,131.361</b>	<b>3.85</b>	<b>6.44</b>	<b>(2.59)</b>

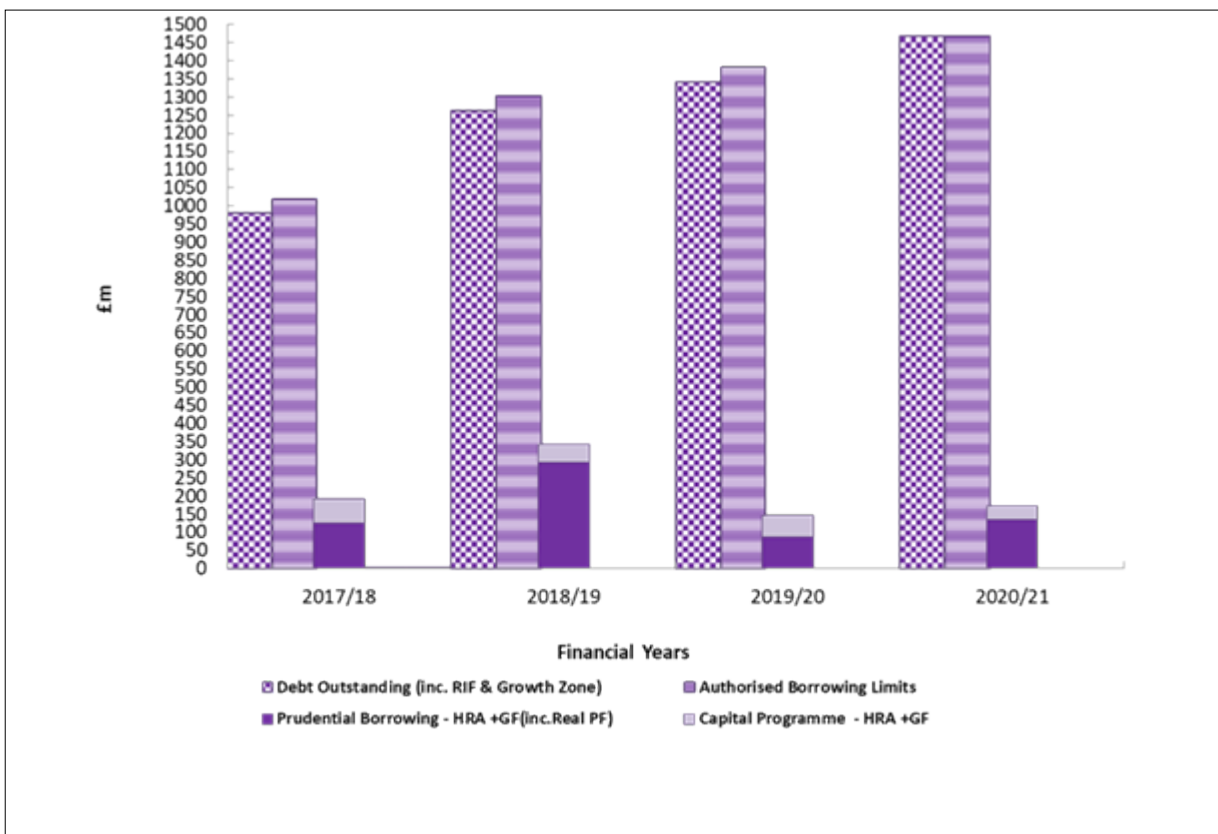
### **Treasury Management**

- 6.4 The Executive Director of Resources and Section 151 Officer is responsible for setting 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 2017 and the Council has adopted this updated Code of Practice on 26 February 2018 (Minute 14/18c).
- 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 2018/19, £345.85m of investment is planned, £288m of which is to be financed from borrowing.
- 6.8 Apart from borrowing that is supported by government grant funding, the cost of new prudential borrowing to the Authority will be £22.34 per Band D council taxpayer in 2018/19. 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 shows a comparison of new debt against Prudential Limits.

**Graph 3: Comparison of Debt against Prudential Limits for 2017 to 2021**



## Borrowing

- 6.11 As part of its Treasury management framework the Council agreed a set of Prudential Indicators covering 2017/18 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 12 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.

6.14

**Table 12 - Prudential Indicators**

**PRUDENTIAL INDICATORS FOR 2017/18 – 2020/2021**

PRUDENTIAL INDICATORS	2017/18 Actual Outturn £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
<b>1. <u>Prudential Indicators for Capital Expenditure</u></b>				
1.1. Capital Expenditure				
- General Fund	165.184	313.466	115.429	145.901
- HRA	26.034	32.385	31.951	26.951
<b>Total</b>	<b>191.218</b>	<b>345.851</b>	<b>147.380</b>	<b>172.852</b>
1.2. In year Capital Financing Requirement				
- General Fund - gross of MRP costs	125.418	295.404	87.265	134.932
- HRA	0.000	0.000	0.000	0.000
<b>Total in year Capital Financing Requirement</b>	<b>125.418</b>	<b>295.404</b>	<b>87.265</b>	<b>134.932</b>

1.3. Capital Financing Requirement as at 31 <sup>st</sup> March – <b>balance sheet figures</b>				
- General Fund (net of MRP costs)	685.822	973.782	1,052.338	1,178.038
- HRA - limit of HRA debt imposed by CLG	338.688	338.688	338.688	338.688
<b>Total</b>	<b>1,024.51</b>	<b>1,312.47</b>	<b>1,391.026</b>	<b>1,516.726</b>
<b>2. Prudential Indicators for Affordability</b>				
2.1. Ratio of financing costs to net revenue streams				
- General Fund	8.1%	8.3%	9.1%	9.1%
- HRA	12.9%	13.1%	13.2%	13.2%
2.2. General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum)				
- In year increase	£13.15	£22.34	£5.72	£6.02
- Cumulative increase (includes MRP costs).		£35.48	£41.20	£47.22
2.3. HRA impact of additional borrowing (unsupported) on housing rents (per annum)	0	0	0	0
[The HRA's additional £223.1m debt costs are reflected in these ratios.]				
<b>3. Prudential Indicators for Long External Debt</b>				
3.1. Debt brought forward 1 <sup>st</sup> April	881.067	979.108	1,267.067	1,345.623
Debt carried forward 31 <sup>st</sup> March (Includes the £223.1m debt for the HRA self- financing)	979.108	1,267.067	1,345.623	1,471.323

settlement sum plus RIF & Growth Zone borrowings in future years).				
<b><u>Additional Borrowing</u></b>	<b>98.041</b>	<b>287.959</b>	<b>78.556</b>	<b>125.700</b>

£223.126m of debt carried forward 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 2017/18 made against the Council's 2015/19 Financial Strategy is set out below against each of the Strategy Objectives.

A review of the current strategy is taking place over the summer 2018 and a new financial strategy will be presented to this Cabinet in September 2018.

### **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 2017-18 towards this objective**

7.2.3 Details of some of the initiatives delivered in 2017/18 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 of £3.2m have been distributed.

- **Public realm improvements**  
Town centre improvements including upgrading of East Croydon bus station to provide new shelters, better lighting, signage, improved pedestrian access, seating and tree planting has been completed. Extending the 20mph limit across 80% of the borough and the continuation of our public realm programme to enhance and improve the public space including the cycle network.

- **Housing**  
The shortage of affordable housing across Greater London continues to have an impact on Croydon's costs relating to homelessness. There has been a concerted effort to manage the demand for emergency and temporary housing through targeted interventions at earlier stages as well as through changing the messaging around the homelessness journey. This has led to an overall reduction in the number of families housed in bed and breakfast accommodation and other types of temporary housing. These efforts have contributed to the ongoing success of lobbying to central government to secure additional funding for both the 2017/18 financial year and for future years, including £579k related to Croydon's work as a Universal Credit pilot authority in 2017/18 and an increased allocation of Flexible Homelessness Support Grant agreed for 2019/20.

Brick by Brick, the housing development company established by the council, has obtained planning permission on over 30 sites throughout the borough with many more at pre-application stage, and work has started on a number of these sites.

### **Leisure and Culture**

- A new leisure services partnership commenced in March 2018, and will see the leisure centres' gym facilities refurbished to provide state-of-the-art facilities. As a result of the new contract, which will also see the council make savings of over £1m by 2021, this partnership we will deliver first class leisure facilities across the borough, encouraging more people to use them and enjoy a healthier lifestyle, along with creating new employment opportunities for local people and bringing the wider benefits of the Better brand to the residents of Croydon. These include significant investment in facilities and widening active participation through more use of the borough's parks

## **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 2017-18 towards this objective**

7.3.2 Details of some of the initiatives delivered in 2017/18 to realign resources are set out below:

- Gateway Services focus on enabling families and individuals to be more financially resilient, to overcome barriers to employment, tackle debt, and find sustainable solutions to potential homelessness. One of the council's priorities has been to reduce the number of people we accommodate in emergency accommodation as a result of homelessness. The current position is 626 households housed in emergency accommodation, this is 175 fewer households than April 2017, and 386 fewer than the projected had Gateway and Welfare had not taken any action since April 2017.

The council was successful in bidding for funding from the government's Homelessness Prevention Programme ('Trailblazers'), and was allocated £1m funding for homelessness prevention, early intervention and supporting people out of homelessness. The council was also allocated £510,210 from the government's Rough Sleeping Initiative Fund to action to significantly reduce the number of people sleeping rough in the borough.

Statistics for statutory and discretionary prevention services provide a strong indication of the impact Croydon's 'Gateway & Welfare' approach is having in Croydon. For example, the number of decisions the council had to make in response to households applying as homeless in 2017/18 was 1336, the fewest in 11 years. In addition, the number of people in temporary accommodation also fell from 2,449 in March 2017, to 2005 in March 2018, the lowest level in 6 years. The number of households presenting 'in crisis' (i.e. without anywhere to sleep that night and requiring emergency accommodation) has fallen from 801 at the beginning of the financial year to 667 at the end of 2017/18 (currently 625, as mentioned above). The number of households placed in shared bed and breakfast accommodation by the council at the end of March 2018 was 121, the fewest since 2009/10. However, these figures do not take into account how the council has shifted its focus and activity, through its Gateway and Welfare Service, to intervening early, and preventing homelessness before it reaches a crisis point wherever it can. In 2017/18, the council managed to prevent or relieve homelessness for 2,155 households, the highest number since 2010/11.

- Further letting of space within BWH has been completed as part of the wider asset strategy with the 9<sup>th</sup> and 10<sup>th</sup> floors let to the Home Office and part of the ground and first floor to the Department for Works and Pensions as the new Job Centre Plus. These will generate significant

income and revenue savings going forward in excess of £1.25m. Further opportunities for revenue savings are being progressed with the relocation, development and refurbishment at three other sites under the service led asset review work which will all be delivered over the next 6-12 months.

#### **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 31<sup>st</sup> March 2018 is £10.4m. This represents 3.9% of 2017/18's net budget requirement against a Financial Strategy target of 5%. Table 13 below sets out actual general fund balances against the targeted level.

**Table 13 – Comparison of General Fund Target Balance with Actual Balances**

Year	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Target 5% (£m)	13.9	13.4	13.0	12.9	12.5	12.4
General Fund balance (£m)	10.7	10.7	10.7	10.4	10.4	n/a

7.4.3 The Council has a General Fund balance of **£10.4m** as at 31<sup>st</sup> March 2018 and earmarked reserves of **£13.748m** 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 14 below.

**Table 14 – Analysis of earmarked reserves (greater than £0.5m)**

Reserves	Balance 31/03/2018	Balance 31/03/2017
	£m	£m
<b><u>NON DEPARTMENTAL</u></b>		
Revolving Investment Fund - set aside to fund the up-front costs of the schemes within the investment fund.	1.199	0.918
Transformation Fund - this is funding to support the delivery of the transformation programme	-	2.153
Community Priority Fund - set aside to support key initiatives of the administration.	-	0.886

New Homes Bonus - a top slice of government funding that will be used to fund capital investment within the borough.	-	0.657
Croydon Enterprise Loan Fund - a reserve created to help Croydon businesses access an economic loan fund	-	0.611
<b><u>PEOPLE</u></b>		
Care Act	-	0.550
Troubled Families	-	0.765
Best Start - transformation	-	1.200
<b><u>PLACE</u></b>		
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	2.884	4.555
Street Lighting PFI sinking fund – will be used over the life of the street lighting project to match operational requirements.	1.555	6.314
Other (only identified if over £0.5m as at 31 March 2017)	5.810	4.515
Draw Down of Reserves budgeted to be replaced on 1 April 2018	-4.700	
<b>TOTAL EARMARKED RESERVES</b>	<b>13.748</b>	<b>30.124</b>

## SCHOOLS RESERVES

- 7.4.5 The overall value of school reserves have decreased from £3.3m, by £0.89m to £2.4m. This includes a decrease in revenue by £0.99m to £1.99m and an increase in capital of £0.08m to £0.42m.
- 7.4.6 Four 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.
- 7.4.7 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.
- 7.4.8 Table 15 below lists all schools that ended 2017/2018 in revenue deficit. Schools in deficit positions are required to submit a licensed deficit form from

their head teacher and governing body to the council for approval by the S151 Officer.

**Table 15 Schools in revenue deficit and explanations**

School	Deficit at Q4 £m	Licensed deficit plan	Deficit agreed in 2017/18 plan £m	Notes – Reasons for the deficit
Virgo Fidelis Convent Senior School	(1.267)	Yes	(1.177)	Continuing low pupil numbers. October census saw further fall in numbers.
St Andrew's CE School	(0.702)	Yes	(0.779)	Significant decline in pupil numbers
Norbury Manor Primary	(0.140)	Yes	(0.180)	Sustained increase in the pupil population has resulted in the decrease in the deficit position.
All Saint's Primary	(0.098)	Yes	(0.283)	Planned staff reorganisation taken place in January 2018, to take effect (savings) from 1 <sup>st</sup> April 2018.
The Hayes Primary School	(0.028)	Yes	(0.045)	The school has implemented a restructure which incurred redundancy payments. The school has as of April 2018 returned to a surplus
Archbishop Tenison's High	(0.626)	Yes	(0.694)	The school has reduced its deficit position through review of all expenditure and an increase in pupil numbers and increases in site income
Heavers Farm Primary	(0.125)	Yes	(0.113)	The school had a large supply cover costs in the 2017-18 year and unexpected legal costs along with prior year overspend brought forward.
Monks Orchard Primary School	(0.083)	No	N/A	Number of 'one off' costs at year end resulted in the unexpected deficit position.



7.4.9 Table 16 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 16 - 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	5	0.069	20%	1	20%
PRU	1	0.155	0%	0	0%
Primary Schools	37	2.510	16%	6	16%
Secondary Schools	6	(2.577)	0%	3	60%
Special Schools	6	1.317	33%	0	0%
<b>Total</b>	<b>55</b>	<b>1.474</b>		<b>10</b>	

\*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 2018.

### General Fund Provisions

7.4.10 The General Fund provisions are analysed in table 76 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 £6.08m is recommended.

**Table 17 - General Fund Provisions**

Provisions	Balance 31/03/2016 £m	Balance 31/03/2017 £m	Balance 31/03/2018
Provision for Doubtful debts	21.858	30.458	34.393
Insurance Fund	4.811	4.580	4.850
Other provisions	1.686	2.034	3.909
<b>Total</b>	<b>28.355</b>	<b>37.072</b>	<b>43.152</b>

7.4.11 Table 18 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 18: Reserves and Budgeted Net Operational Expenditure**

<b>Balances and reserves</b>	<b>2014/15 Actual £m</b>	<b>2015/16 Actual £m</b>	<b>2016/17 Actual £m</b>	<b>2017/18 Actual £m</b>
General Fund balance	10.677	10.677	10.727	10.394
Earmarked reserves	29.540	32.171	30.124	13.746
<b>Total</b>	<b>40.217</b>	<b>42.848</b>	<b>40.851</b>	<b>24.14</b>
<b>Net Budget Requirement</b>	<b>279.079</b>	<b>259.999</b>	<b>258.55</b>	<b>266.898</b>
<b>General Funds Balances% of net budget requirement</b>	3.83%	4.11%	4.15%	3.89%

## **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 2017 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. The detailed audit outcomes for the key financial audits are shown in Table 19 below.

7.5.4 From all audits finalised to date, 66% 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, 87% of recommendations made in audits for 2016/17 and 70% of followed-up recommendations made in 2017/18 have been implemented. Internal audit will continue to follow-up on these until the vast majority have been implemented, including all high priority recommendations.

**Table 19 – 2017/18 Audit Plan**

<b>2017-18 Audit Plan</b>	<b>Assurance</b>
Business Rates	Substantial
Council Tax	Substantial
Creditors (inc P2P)	Limited
Debtors (Report is still Draft)	Substantial
Housing Benefits (Report is still Draft)	Substantial
Housing Repairs	Substantial
Main Accounting System (limited scope)	Full
Parking Enforcement & Income	Substantial
Payments to Schools	Substantial
Payroll (including data analysis)	Substantial
Pension Administration	Substantial
Treasury Management (limited scope)	Full

**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 20 below sets out sundry debt collection performance for 2017-18. 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 20 – Sundry debt collection performance in 2017-18**

Age of debt	Debt Issued £m	Debt Outstanding at 31-3-2018 £m	Actual Collection Rate at 31-3- 2018	Target Collection Rate
2 months (31-60days)	20.141	12.535	37.77%	80%
3 months (61-90days)	9.283	2.281	75.42%	90%
4 to 6 months (91-120days)	4.831	1.205	75.04%	95%
7 to 12 months (121-365days)	65.711	1.217	98.15%	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.

7.6.3 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 21 below sets out the position of the Collection fund at the end of 2017/18, compared to the year end position at the end of 2016/17.

**Table 21 – Collection Fund at 31 March 2018**

<b>2017/18</b>	<b>Council Tax</b>	<b>Business Rates</b>	<b>Total Collection Fund</b>	<b>Total Collection fund at 31.3.17</b>
Overall (surplus) / deficit £m	(6.166)	(5.884)	(12.050)	(12.190)
Croydon Council - share	82%	30%	-	-
<b>Croydon Council – Amount £m</b>	<b>(5,058)</b>	<b>(1,765)</b>	<b>(6,823)</b>	<b>(7,291)</b>

- 7.6.4 The Council Tax surplus of £6.166m was due primarily to growth in the council tax base, as well as stronger collection than budgeted. The predicted surplus declared in January 2018 was £5.901m (Croydon's share £4.841m) which will be distributed in 2018/19, and is very close to the outturn value achieved.
- 7.6.5 For Business Rates there is a surplus of £5.884m. The declaration made in January 2018 was to distribute a surplus of £13.089m (Croydon's 30% share being £3.927m) which contained the Virgin Media appeal provision released at the end of 2016-17. However, the 2017-18 year-end position does include an increased provision for appeals against business rates valuations, as well as for reliefs to be applied.
- 7.6.6 Croydon's combined share of the Collection Fund is therefore a credit of (£6.823m), and will be considered as part of the 2019/20 budget setting process.
- 7.6.7 The net collectable debt for council tax in 2017/18 was £197.6 million, an increase of £11.8 million on the previous year: a combination of both property growth within the borough as well as increases in Band D.
- 7.6.8 The Ambitious for Croydon target relates to the amount of debt collected in the initial year of billing (2017/18 debt collected in 2017/18). The target set for 2017/18 was 97.00% and the actual performance was confirmed at 97.08%, an increase of 0.08% above the target. Table 22 below shows the performance against the target.

**Table 21 – Collection target and performance for Council Tax Collection**

	2017/18		
	Target	Actual	Variance
% collection	97.00%	97.08%	0.08%
£000's collection	179,611	179,790	0.179

**National Non Domestic Rate (NNDR) Collection –**

7.6.9 The target set for 2017/18 was 98.75% and the actual performance was confirmed at 99.17%, an increase of 0.42% over the target. The collectable debt for business rates in 2017/18 was £115.9m. Table 23 shows the impact of actual performance against the target in cash terms.

**Table 23 – Collection target and performance for NNDR Collection**

	2016/17		
	Target £000	Actual £000	Variance £000
% collection	98.75%	99.17%	0.42%
£ collection	115,569	115,973	£404K

7.6.10 Business rates collection performance was 99.17% collected. This is the best ever collection rate for Business rates, and was an increase of 1.36% collection on the previous year and 0.42% above the end of year target

**8. FORMAT AND PREPERATION OF THE ACCOUNTS**

8.1 There are no significant changes to the format of accounts in 2017/18. The council continues to prepare group financial statements that include the activity of Brick by Brick (Croydon) Limited. The group statements are 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 statements, once activity between the two organisations has been removed. These group accounts will reflect the circa £35m of expenditure undertaken by Brick by Brick towards the construction of new homes in the Borough.

8.2 In preparing the accounts, it is necessary to make judgements about uncertainty of future events, and to make estimates based on assumptions. The key areas are set out below:

- 8.2.1 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.
- 8.2.2 Estimates are used in the preparation of the provision for doubtful debt. The Council uses historical collection rates when estimating these provisions
- 8.2.3 Changes in the collection rates of key revenue streams could have an impact on the total comprehensive income and expenditure position.
- 8.3 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**

- 8.4 The audit of the Council's accounts is under way, and this will be completed by the end of July 2018 in line with the new statutory deadlines. 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.
- 8.5 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.
- 8.6 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 can be found elsewhere on this meeting's agenda 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.

- 8.7 Those charged with governance will be required to review this report 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 Executive Director of Resources and Section 151 Officer and those charged with governance before Grant Thornton issues its opinion on the financial statements.
  - give 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.
- 8.8 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.
- 8.9 Richard Simpson – Executive Director Resources & Section 151 Officer will advise Members of the Committee accordingly throughout this process.

## **PUBLIC ACCESS**

- 8.10 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. This period began on Friday 1 June, and will run until Friday 13 July 2018. 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.
- 8.11 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 31<sup>st</sup> July.

## **9. FINANCIAL CONSIDERATIONS**

- 9.1 The body of the report sets out the 2017/18 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 the Council are obliged to prepare a statement of accounts in accordance with the Accounts and Audit (England) Regulations 2015 and proper accounting practices.



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 by: Sandra Herbert Head of Litigation and Corporate for and on behalf of Jacqueline Harris-Baker Director of Law, Monitoring Officer and Council Solicitor.

## **11 OTHER CONSIDERATIONS**

11.1 There are no immediate human resource impacts.

Approved by: Sue Moorman, Director of HR.

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<b>Report Author</b>	Richard Simpson – Executive Director Resources & Section 151 Officer
<b>Background Documents:</b>	None
<b>Contact Officer</b>	Richard Simpson – Executive Director Resources & Section 151 Officer

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REVENUE VARIATIONS OVER £100K WITH EXPLANATION

PEOPLE DEPARTMENT

	Variance £'000	High-Level Commentary
Early Help and Children's Social Care Directorate	597	Increased legal costs and delayed digital and enabling savings
Assessment and Care Planning Service	952	Increase in the costs of Section 17 B&B places, which are court driven. Additional costs of supernumerary and locum staff
Looked After Children and Resources	8,093	Increase in the number of external placements and specialist foster care placements.
Safeguarding and Looked after Children Quality Assurance	247	Additional cost of locum posts within Safeguarding and Quality Assurance
Early Help and Mash	(372)	Revised savings forecast associated with supplies and services, transport and third party payments
Children's Integrated Commissioning	(172)	Delay in recruitment of extra capacity staff for the additional 15 hrs that was implemented in Autumn 2017
Targeted Services	(181)	Successful bid for grant funding to support Domestic Abuse programmes from the DCLG. This is a one-off grant in 2017/18
<b>Early Help and Children's Social Care</b>	<b>9,164</b>	
Adult Social Care and All-Age Disability Staffing	592	Delayed digital and enabling savings and increased enhanced pensions and legal costs
25-65 Disability	214	Increase in cost of care packages and staff costs as a result of rising demand, mitigated by transformation funding and use of reserves
Disability Commissioning and Brokerage	(596)	Underspend relates to staffing vacancies leading to delays in commissioning
One Croydon Commissioning	(182)	A number of minor variances
Day and Employment Services	162	Unachievable savings on externally provided day care and lower than budgeted levels of income
Transformation and Clienting	(779)	Additional funding from transformation reserves
Adult Safeguarding and Quality Brokerage	(266)	Increased cost of Safeguarding Board offset by delay in the recruitment of Best Interest Assessors
0-25 SEND Service CWD	1,364	Increase in Transitions, care packages and staffing costs.
<b>Adult Social Care and All-Age Disability</b>	<b>509</b>	
Place Planning and Admissions and Learning Access	(187)	Underspend relates to staffing vacancies within the schools client and admissions teams
Education Commissioning & Post-16 Participation	(126)	Underspend relates to staffing vacancies
<b>Education and Youth Engagement</b>	<b>(313)</b>	
People Directorate	(366)	Additional funding to cover the increased costs associated with National Insurance in the People Department
<b>People Directorate</b>	<b>(366)</b>	
	(146)	Other variances
<b>PEOPLE TOTAL</b>	<b>8,848</b>	

REVENUE VARIATIONS OVER £100K WITH EXPLANATION

PLACE DEPARTMENT

	Variance £'000	High-Level Commentary
Waste	1,804	Pressure on cost of disposal caused by 2.5% year-on-year growth on landfill tonnages plus shortfall on rebate for recycle material
Highways	(1,675)	Credit amounts relating to the PFI street lighting contract and energy costs
<b>Streets</b>	<b>129</b>	

Parking	(1,100)	Investment in new P&D machines has enabled parking users to use cashless methods of payment as well as cash. As a result, there is additional income of £600k. Furthermore, there is another £500k increase due to CPZ permits.
Public Protection	236	Shortfall on HMO licensing fees and one-off employee costs
Partnership & Intelligence Support	(113)	CCTV savings plus prevention grant funding
Licensing	310	Increased legal costs
Other Minor Variances	136	Combination of minor movements
<b>Safety</b>	<b>(531)</b>	

Development	(372)	Increased planning income
<b>Development</b>	<b>(372)</b>	

Bereavement and Registrars	100	Better than expected performance on income, reducing the overall budget pressure
Bad debt provision increase	2,353	Bad debt provision reflecting anticipated level of defaults using full year information
Universal Credit – exceptional item	(2,353)	Above item of bad debt provision treated as exceptional item due to the impact of Universal Credit
Flexible homelessness support grant	(830)	Remaining grant from central government after funding budget pressures in Gateway and Welfare and Housing Need arising from Emergency and Temporary Accommodation
Additional funding for Universal Credit (UC)	(579)	Additional funding for being in a Universal Credit pilot area from DWP
Transformation (incentive payments to landlords)	(400)	Incentive payments under the guaranteed rent scheme moved to transformation funding
<b>Gateway and Welfare</b>	<b>(1,709)</b>	

	(296)	Other combined variances
<b>PLACE TOTAL</b>	<b>(2,779)</b>	

REVENUE VARIATIONS OVER £100K WITH EXPLANATION

RESOURCES & CHIEF EXECUTIVES DEPARTMENT

	Variance £'000	High-Level Commentary
Revenue and Benefits	1,318	Delay on delivery of digital and enabling savings and under recovery of business support costs against target
Information Communication Technology	(1,779)	Saving on the ICT contract plus additional project work charged to capital
Facilities Management	(600)	Savings achieved on FM costs through measures to reduce demand organisationally
<b>Customer and Corporate Services</b>	<b>(1,061)</b>	
SEN Transport	3,080	Increasing service demand and complexity of need
Other minor variances	(415)	
<b>Commissioning and Improvement</b>	<b>2,665</b>	
Asset Management	(808)	Over-achievement of property rental income
<b>Finance, Investment and Risk</b>	<b>(808)</b>	
Other Minor Variances	(159)	A result of vacancies with the service during the year
<b>Governance</b>	<b>(159)</b>	
Legal	(525)	Legal Income exceeded budget estimates
<b>Legal</b>	<b>(525)</b>	
Other minor variances	(370)	A combination of staffing under-spends and over achievement of income
<b>Human Resources</b>	<b>(370)</b>	
Communications and Engagement	864	Unachievable digital advertising income
<b>Chief Executives Department - Strategy &amp; Partnership</b>	<b>864</b>	
	99	Other minor variances
<b>RESOURCES AND CED TOTAL</b>	<b>705</b>	

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Description	Original Budget 2017/18 £000's	Budget Adjustments 2017/18 £000's	Revised Budget 2017/18 £000's	Outturn 2017/18 £000's	Outturn Variance 2017/18 £000's
Adults Social Care ICT	0	993	993	415	-578
Bereavement Services	1,300	43	1,343	19	-1,324
Disabled Facilities Grant	1,600	1,246	2,846	1,627	-1,219
Education - Academies Programme	0	0	0	15	15
Education - DDA	0	134	134	75	-59
Education - Fixed Term Expansions	0	3,055	3,055	1,307	-1,748
Education - Major Maintenance	2,000	1,501	3,501	2,091	-1,410
Education - Miscellaneous	4,383	-1,971	2,412	1,153	-1,259
Education - Permanent Expansion	43,698	3,938	47,636	34,311	-13,325
Education - Secondary Estate	150	-116	34	286	252
Education - SEN	13,500	-5,780	7,720	2,126	-5,594
Onside Youth Zone	2,117	1,454	3,571	143	-3,428
Unsuitable Housing Fund	0	250	250	0	-250
<b>People</b>	<b>68,748</b>	<b>4,747</b>	<b>73,495</b>	<b>43,568</b>	<b>-29,927</b>
Affordable Housing	0	21,600	21,600	17,336	-4,264
ANPR cameras	0	206	206	206	0
Blackhorse Lane Bridge	0	2,053	2,053	153	-1,900
Brick by Brick programme	286,717	-228,187	58,530	24,875	-33,655
Community Ward Budgets (MLP)	1,120	0	1,120	544	-576
Empty Homes Grants	500	0	500	585	85
Fairfield Halls - Council	1,500	0	1,500	779	-721
Feasibility Fund	0	275	275	134	-141
Growth Zone	2,000	0	2,000	1,526	-474
Highways	4,465	535	5,000	4,899	-101
Highways - flood water management	0	230	230	0	-230
Highways - bridges and highways structures	535	-375	160	0	-160
Highways - Tree works	0	179	179	0	-179
Measures to mitigate travellers in parks and open spaces	0	125	125	30	-95
Leisure centres equipment upgrade	0	976	976	0	-976
New Addington Leisure Centre	8,500	10,060	18,560	3,631	-14,929
Old Ashburton Library	1,155	1,165	2,320	2,324	4
New waste contract - vehicles	1,094	846	1,940	0	-1,940
P&D Machine Replacement Programme	0	1,161	1,161	1,141	-20
Parking	0	20	20	206	186
Public Realm	0	4,228	4,228	1,577	-2,651
Purley MSCP	0	117	117	212	95
Salt Barn	0	611	611	87	-524
Section 106 Schemes	0	1,338	1,338	1,114	-224
Surrey Street Market	0	848	848	825	-23
Thornton Heath Public Realm	0	2,105	2,105	851	-1,254
TFL - LIP	4,154	1,437	5,591	5,528	-63
Waste and Recycling Investment	160	2,456	2,616	2,492	-124
<b>Place sub-total</b>	<b>311,900</b>	<b>-175,991</b>	<b>135,909</b>	<b>71,055</b>	<b>-64,854</b>
Asset strategy - Stubbs Mead	0	300	300	17	-283
Asset strategy - BWH	0	50	50	0	-50
Asset strategy - Family Justice Centre	0	50	50	30	-20
Asset strategy - Capita Davis House relocation	0	50	50	0	-50
Asset strategy - Heathfield House	0	60	60	0	-60
Coroners	0	0	0	19	19
Corporate Property	0	0	0	771	771
Corporate Property Maintenance Programme	2,000	1,727	3,727	2,480	-1,247
Emergency Generator (Data Centre)	0	1,200	1,200	0	-1,200
Finance and HR system	1,126	434	1,560	250	-1,310
ICT Refresh & Transformation	3,000	4,572	7,572	7,984	412
Tram Memorial	0	0	0	84	84
<b>Resources sub-total</b>	<b>6,126</b>	<b>8,443</b>	<b>14,569</b>	<b>11,635</b>	<b>-2,934</b>
<b>General Fund</b>	<b>386,774</b>	<b>-162,801</b>	<b>223,973</b>	<b>126,258</b>	<b>-97,715</b>
Assisted Private Purchase Scheme	0	0	0	-12	-12
Council New Build	0	0	0	198	198
Larger Homes	0	100	100	38	-62
Major Repairs and Improvements Programme	26,871	3,452	30,323	26,176	-4,147
Special Transfer Payments	180	391	571	65	-506
<b>HRA Total</b>	<b>27,051</b>	<b>3,943</b>	<b>30,994</b>	<b>26,465</b>	<b>-4,529</b>
<b>Capital Programme Total</b>	<b>413,825</b>	<b>-158,858</b>	<b>254,967</b>	<b>152,723</b>	<b>-102,244</b>

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<b>REPORT TO:</b>	<b>GENERAL PURPOSES &amp; AUDIT COMMITTEE</b>  18 <sup>th</sup> July 2018
<b>SUBJECT:</b>	Head of Internal Audit Annual Report 2017/18
<b>LEAD OFFICER:</b>	Director of Governance
<b>CABINET MEMBER</b>	Councillor Simon Hall Cabinet Member for Finance and Treasury
<b>WARDS:</b>	ALL
<b>CORPORATE PRIORITY/POLICY</b>	
<p>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.</p>	
<b>FINANCIAL SUMMARY:</b>	
<p>The Internal Audit contract for 2017/18 was a fixed price of £333,000 and the appropriate provision was made within the budget for 2017/18. The cost of the service compares well with other boroughs as demonstrated through recent benchmarking studies.</p>	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b>	

- 1. RECOMMENDATIONS**
- 1.1 The Committee is asked to note the Head of Internal Audit Report 2017/18 (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 2017/18 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 2017/18, 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 2017/18. 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 **70%** of individual finalised audits received either Full or Substantial assurance levels. This compares with 86% for the previous year. It should be noted, however, that at the time of writing there are still a number reports in draft. There will be an update on these outstanding reports at the next meeting of this committee.
- 3.4 Internal audit has identified issues and risks and service managers have identified actions 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 issues.

### 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 2017/18 will be achieved when the follow up programme is completed over the coming year.

### Implementation of agreed recommendations

Performance Objective	Target	Performance 2014/15	Performance 2015/16 (to date*)	Performance 2016/17 (to date*)	Performance 2017-18 (to date*)
Percentage of priority one recommendations implemented at the time of the follow up audit	90%	100%	96%	88%	77%
Percentage of all recommendations implemented at the time of the follow up audit	80%	89%	89%	87%	70%

\* audits are still being followed up for 2015/16, 2016/17 and 2017/18 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 2017/18, two key issues were identified.

- Although there has been much improvement since last year, during the course of internal audit work during the year, a number of issues were identified arising from non-compliance with the Councils Contracts and Tenders Regulations and on-going contract management.
- Internal audit work during the year identified a number of issues relating to budgeting and financial management within the People's department.

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 2017/18 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: Ian Geary, Head of Finance, Resources & Accountancy)

## **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 an Annual Governance Statement. Further, the terms of reference of the General Purposes Audit Committee enables it to consider the annual report of the Head of Internal Audit and make recommendations as appropriate to Cabinet and/or Full Council (Part 3 paragraph 2.3.11).

(Approved by Sandra Herbert Head of Litigation and Corporate for and on behalf of Jacqueline Harris-Baker Director of Law, Monitoring Officer and Council Solicitor)

## **8. HUMAN RESOURCES IMPACT**

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

(Approved by: Gillian Bevan, Acting Head of HR, Resources and CE Office)

## **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.

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**CONTACT OFFICER:** Simon Maddocks, Director of Governance (Head of Internal Audit)

**BACKGROUND DOCUMENTS:** None

# London Borough of Croydon Internal Audit Annual Report for the year ended 31 March 2018

## **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 6 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 2018 that is published with the statement of accounts for the year ended 31 March 2018.

## 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 the 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 2017/18, including our assessment of the London Borough of Croydon corporate governance and risk management processes and information technology governance.

The internal audit plan for 2017/18 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

## Basis of Assurance

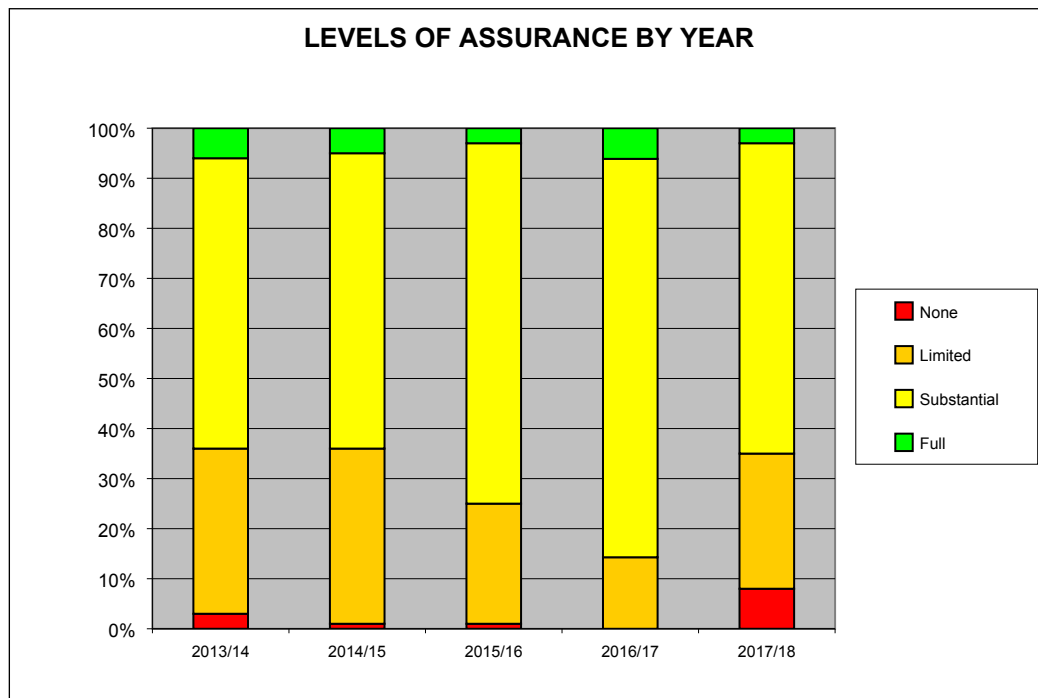
We have conducted our audits both in accordance with the mandatory standards and good practice contained within the Public Sector Internal Audit Standards and additionally from our own internal quality assurance systems.

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 organisation's 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 2018 was completed in line with the operational plan.



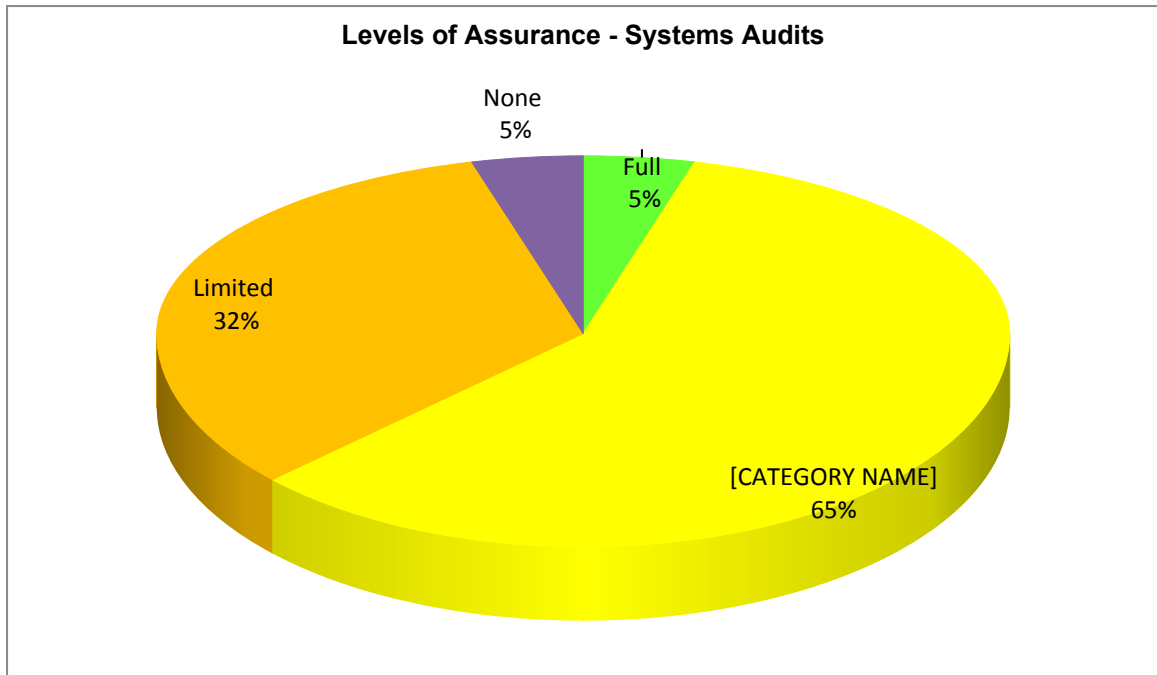
**Graph 1 – Assurance Levels**



	2013/14	2014/15	2015/16	2016/17	2017/18
Full Assurance	6%	5%	3%	8%	8%
Substantial Assurance	57%	59%	72%	78%	62%
Limited Assurance	34%	35%	24%	14%	27%
No Assurance	3%	1%	1%	0%	3%

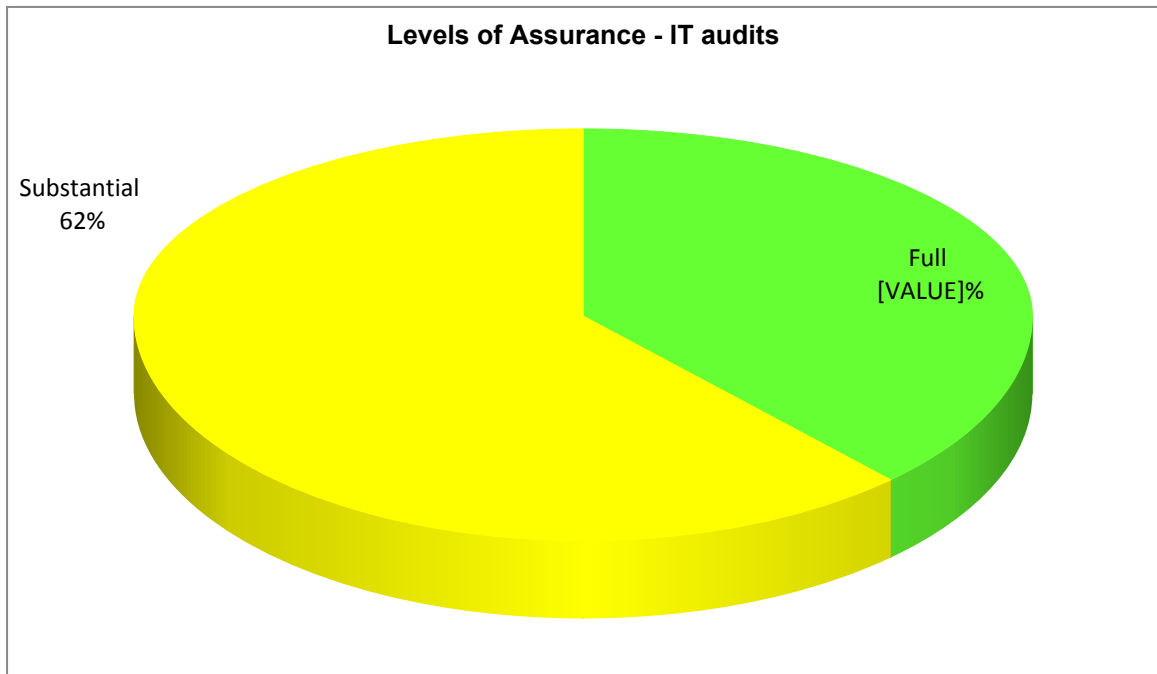
**Graph 1** shows the percentage of final audit reports issued per level of assurance over the past five years. As can be seen the number of limited and no assurance reports is 16% more than those issued during 2016/17.

**Graph 2 – Levels of Assurance – Systems Audits**



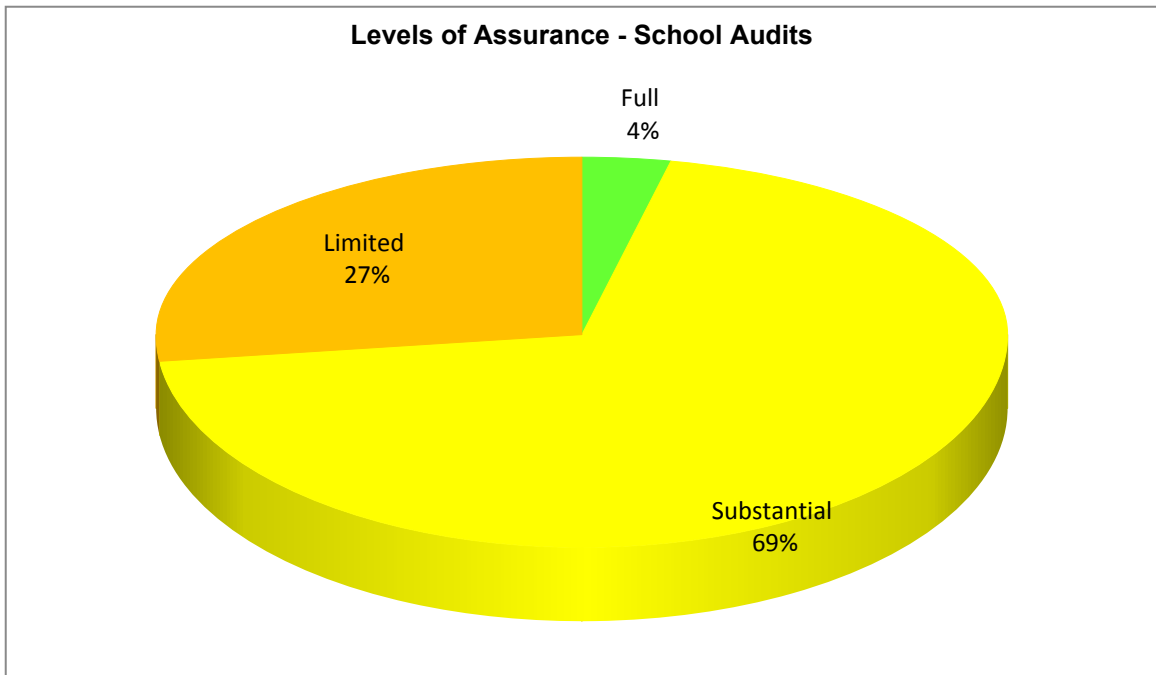
**Graph 2** shows the percentage of final reports issued per level of assurance achieved on all the full systems audited. This shows that 70% of the systems audited, including the core Council financial systems, achieved an assurance level of Substantial or Full. This is in line with performance from 2016/17 which was 69%.

**Graph 3 – Levels of Assurance – IT Audits**



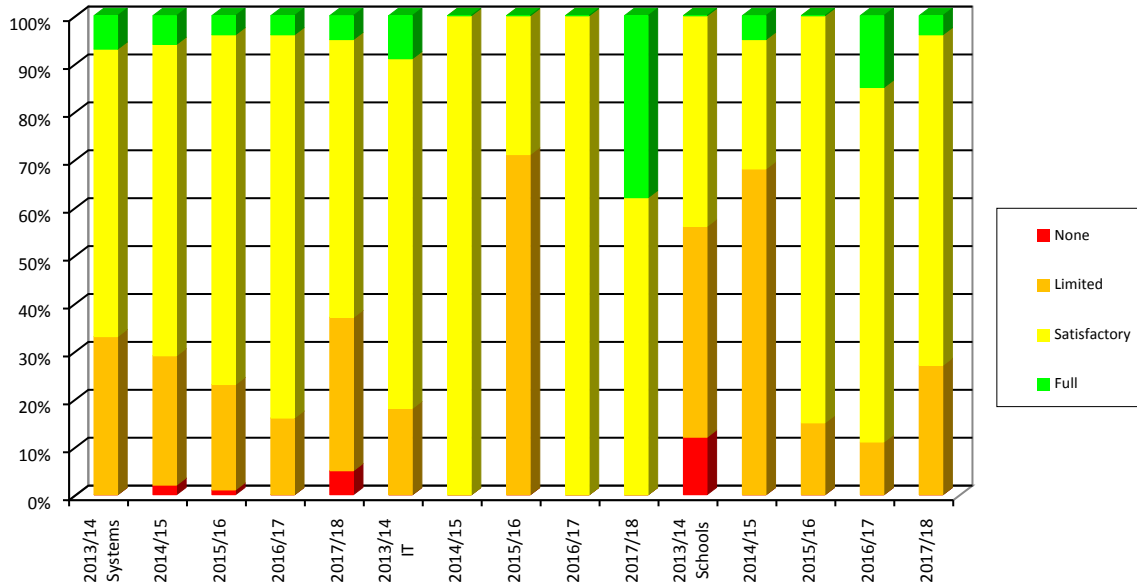
**Graph 3** shows the percentage of final audit reports issued per level of assurance for the computer audit programme of work. This shows that 100% (8 out of 8) of the finalised computer audits achieved an assurance level of Full or Substantial. This is similar to the performance of 2016/17 which was 100%.

**Graph 4 – Levels of Assurance – School Audits**



**Graph 4** shows the results of the schools audit programme. A total of 73% of all locations visited resulted in a Full or Substantial Assurance. This behind the performance in 2016/17, which was 82%, but still maintains the marked improvement on previous years (32% in 2014/15 and 44% in 2013/14)

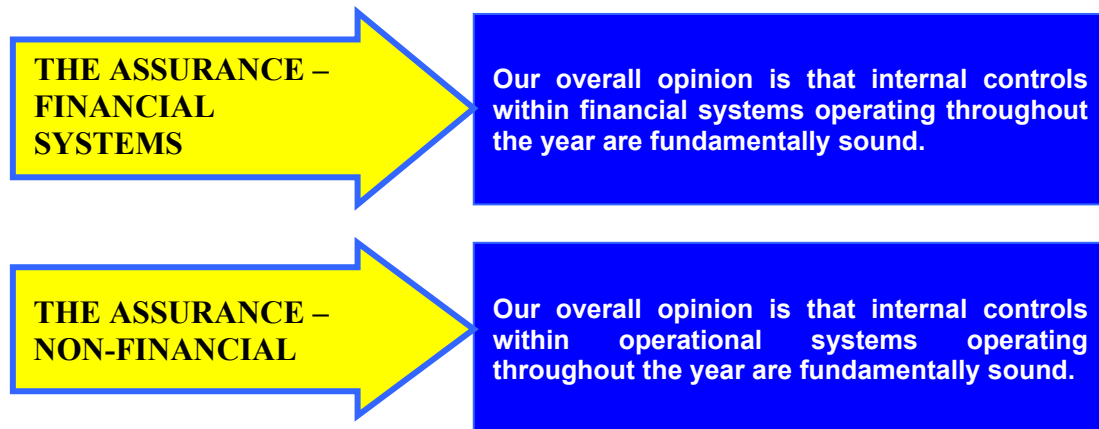
**COMPARISON OF ASSURANCE BY AUDIT TYPE 2013/14 TO 2017/18**



# 2017/18 Year Opinion

## Internal Control

From the Internal Audit work undertaken in 2017/18, 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 2018 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 2016/17 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;
  - their VfM (Value for Money) conclusion, where 'with the exception of the matter set out above [the Ofsted report which rated children's services as 'inadequate' and highlighted that there had been a significant deterioration in the quality of service provision in relation to children's services since the previous inspection in 2012] in relation to arrangements for management of children's services, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ended 31 March 2017', and
  - an unqualified opinion on the Council's Whole of Government Accounts submission.
- The Executive Director of Resources and Section 151 Officer's assessment of the internal audit function submitted to the General Purposes and Audit Committee on 29 June 2017.
- 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. (An independent review against the Public Sector Internal Audit Standards is required every 5 years). 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 2016/17 Audit, where 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.'

- The Audit Findings for the London Borough of Croydon', by Grant Thornton for its 2016/17 Audit, where no significant control weaknesses in the Council's internal control arrangements were identified.
- 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
- 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.

## Acknowledgement

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 2018

# 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 2017/18 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 2017/18, two key issues were identified:

- Although there has been much improvement since last year, during the course of internal audit work during the year, a number of issues were identified arising from non-compliance with the Councils Contracts and Tenders Regulations and on-going contract management.
- Internal audit work during the year identified a number of issues relating to budgeting and financial management within the People's department.

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. 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 and June 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; and
- A Risk Management toolkit is available on the intranet providing an information source for all Council staff.

## Audit Plan

The Audit Plan for 2017/18 was compiled using the Council's Risk Registers as the key drivers in developing audit coverage, as well as detailed discussions with CLT members and departmental management teams. The 2017/18 audit plan was approved by the General Purposes and Audit Committee on 22<sup>nd</sup> March 2017.

All audit fieldwork is complete for audits relating to the 2017/18 year programme. The 2017/18 Internal Audit plan is provided in Appendix 1 for information. The schedule shows the number of recommendations raised in each audit during 2017/18 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%	41%
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	89%
Number of draft reports	96	96

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	Performance 2014/15	Performance 2015/16 (to date*)	Performance 2016/17 (to date*)	Performance 2017-18 (to date*)
Percentage of priority one recommendation implemented at the time of the follow up audit	90%	100%	100%	96%	88%	77%
Percentage of all recommendations implemented at the time of the follow up audit	80%	95%	89%	89%	87%	70%

\* The follow ups of 2013/14 and 2014/15 audits are complete. Not all 2017/18 audits have yet been subject to follow up action (the results of those 2015/16, 2016/17 and 2017/18 audits that have been followed up are included in Appendixes 3, 4 and 5 respectively).

## Quality and Compliance with the Public Sector Internal Audit Standards

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



## Appendix 1 – Work against audit plan

2017/18 Audit Plan	System Priority	Department	Assurance	Recommendations			Total Raised
				Priority			
				1	2	3	

KEY FINANCIALS/ IAS 315 REVIEWS							
Business Rates	High	Resources	Substantial	0	2	0	2
Community Care Payments	High	People	Limited	5	3	1	9
Council Tax	High	Resources	Substantial	0	3	2	5
Creditors (inc P2P)	High	Resources	Limited	0	3	0	3
Debtors	High	People	Substantial	0	1	1	2
Housing Benefits	High	Resources	Substantial	0	2	1	3
Housing Rents & Accounting	High	People	Report is still draft				
Housing Repairs	High	Place	Substantial	0	2	1	3
Main Accounting System (limited scope)	High	Resources	Full	0	0	0	0
Parking Enforcement & Income	High	Place	Substantial	0	4	1	5
Payments to Schools	High	Resources	Substantial	0	4	1	5
Payroll (including data analysis)	High	Resources	Substantial	0	3	0	3
Pension Administration	High	Resources	Substantial	0	2	0	2
Treasury Management (limited scope)	High	Resources	Full	0	0	0	0
<b>Total Key Financials Audits</b>				<b>5</b>	<b>29</b>	<b>8</b>	<b>42</b>

DEPARTMENTAL RISK REGISTER AUDITS							
Abandoned Vehicles	High	Place	No	4	6	0	10
Adecco Agency Contract	High	Resources	Report is still draft				
Appointeeships	High	People	Limited	2	3	2	7
Bridges and Infrastructure	High	Place	Substantial	0	2	1	3
Brokerage	High	Resources	Limited	2	3	5	10
Budget Management - People Department	High	People	Report is still draft				
CALAT – Income collection	High	Place	Substantial	0	4	2	6
Coast to Capital	High	Resources	Substantial	0	3	0	3
Croydon Enterprise Loan Fund (CELF)	High	Place	Limited	2	2	1	5
Croydon Equipment Solutions (Supply and Cost Control)	High	Resources	Substantial	0	7	0	7
Declaration of Interests, Gifts and Hospitality (Officers)	High	Resources	Substantial	0	3	1	4
Deprivation of Liberty Safeguards	High	People	Limited	2	2	0	4
Development Management	High	Place	Substantial	0	2	3	5
Direct Payments	High	Place	Limited	1	2	1	4
Establishment	High	Resources	Report is still draft				
Food Safety	High	Place	Limited	3	6	2	11
Health Visits	High	Resources	Report is still draft				
ICT Capita Contract - (ICT Client Team - Financial Contract Administration)	High	Resources	Limited	1	0	0	1
Mayors Charity Accounts	High	Resources	No	5	6	2	13
No Recourse to Public Funds	High	People	Report is still draft				

Open Book Accounting (AXIS Europe plc)	High	Place	Limited	1	3	1	5
Pay and Display Meter Maintenance and Income Collection	High	Place	Limited	2	1	1	4
Pension Fund - Admitted and Scheduled Bodies	High	Resources	Substantial	0	3	1	4
Place Review Panel (Planning Pre-Application Advice Panel)	High	Place	Substantial	0	1	2	3
Registrars	High	Place	Limited	1	2	3	6
Role of Caretakers in Contract Management	High	Place	Substantial	0	6	2	8
Schools Forum and its role in Funding	High	Place	Substantial	0	1	0	1
Special Sheltered Housing	High	Place	Limited	2	8	0	10
Street Trading - Income Collection	High	Place	Substantial	0	8	1	9
Temporary Accommodation - Occupancy Checks and Rebooking	High	Place	Substantial	0	3	0	3
Transport - Fleet Management	High	Place	Substantial	0	3	3	6
Tree Root Inspections	High	Place	Limited	1	4	4	9
Unaccompanied Asylum Seeking Children	High	Place	Report is still draft				
Voids	High	Place	Substantial	0	3	1	4
Voluntary Organisations - Community Fund	High	Resources	Report is still draft				
Youth Offending Service	High	People	Substantial	0	3	0	3
<b>Total Departmental Risk Register Audits</b>				<b>29</b>	<b>100</b>	<b>39</b>	<b>168</b>

<b>COMPUTER AUDITS</b>							
Anti Virus and Malware	High	Resources	Full	0	0	0	0
Design of New Backup and Disaster Recovery Solution	High	Resources	Substantial	0	2	0	2
EU General Data Protection Regulation – GDPR	High	Resources	N/a no report issued				
GIS Application Systems (Geographic Information Systems)	High	Resources	Substantial				
MYapp and MYaccount	High	Resources	Report is still draft				
Peoples ICT	High	Resources	Full	0	0	0	0
Sekchek Active Directory System Security	High	Resources	Report is still draft				
SharePoint pre-implementation (move to cloud)	High	Resources	Substantial	0	1	0	1
SQL Server	High	Resources	Substantial	0	1	1	2
Unix/Linux Operating System	High	Resources	Substantial	0	1	2	3
Windows OS Security	High	Resources	Full	0	0	2	2
<b>Total Computer Audits</b>				<b>0</b>	<b>5</b>	<b>5</b>	<b>10</b>

<b>CONTRACT AUDITS</b>							
Contract Governance of the One Croydon Alliance Programme	High	Resources	Report is still draft				
Contract Management - Mechanical Works (Heating)	High	Place	Report is still draft				
FM Building Services - Contract Monitoring	High	Place	Report is still draft				
Heathfield Academy School Expansion - Vertical	High	Place	Report is still draft				
Lifts and Escalators Contract	High	Place	Report is still draft				
Named Contract Officers - Themed Audit	High	Resources	Report is still draft				
New Addington Leisure Centre and Housing Construction	High	Place	Report is still draft				
School Heating Works 2016 – Smitham Primary School, Emitter and Pipework Replacement	High	Place	Substantial	0	2	1	3
Windows and Associated Works	High	Resources	Report is still draft				
<b>Total Computer Audits</b>				<b>0</b>	<b>2</b>	<b>1</b>	<b>3</b>

SCHOOLS AUDITS							
All Saints C of E Primary School	Medium	People	Substantial	0	5	3	8
Archbishop Tenison (Limited scope)	Medium	People	Substantial	0	0	1	1
Beaumont Primary	Medium	People	Full	0	0	3	3
Beulah Juniors	Medium	People	Limited	2	8	3	13
Coloma Convent Girls' School	Medium	People	Substantial	0	10	4	14
Crosfield Nursery	Medium	People	Substantial	0	1	1	2
Elmwood Infants School	Medium	People	Limited	2	7	5	14
Elmwood Junior School	Medium	People	Substantial	0	1	2	3
Gilbert Scott Primary School	Medium	People	Substantial	0	3	2	5
Heavers Farm Primary	Medium	People	Substantial	0	5	5	10
Howard Primary School	Medium	People	Substantial	0	7	6	13
Margaret Roper Catholic Primary	Medium	People	Substantial	0	9	7	16
Norbury Manor Primary	Medium	People	Limited	2	7	3	12
Priory	Medium	People	Substantial	0	1	5	6
Purley Nursery	Medium	People	Substantial	0	2	2	4
Purley Oaks Primary School	Medium	People	Substantial	0	4	3	7
Rockmount Primary School	Medium	People	Substantial	0	2	4	6
Saffron Valley	Medium	People	Substantial	0	2	4	6
Selsdon Primary School	Medium	People	Substantial	0	4	5	9
St Joseph's Federation	Medium	People	Limited	4	14	7	25
St Marys Catholic High School	Medium	People	Limited	2	6	8	16
The Minster Nursery and Infant School	Medium	People	Limited	2	10	5	17
Thornton Heath Nursery	Medium	People	Substantial	0	4	3	7
Tunstall Nursery	Medium	People	Substantial	0	1	3	4
Winterbourne Nursery and Infants	Medium	People	Limited	1	14	3	18
Woodcote Primary School	Medium	People	Substantial	1	3	3	7
<b>Total School Audits</b>				<b>16</b>	<b>130</b>	<b>100</b>	<b>246</b>
<b>Total Recommendations</b>				<b>50</b>	<b>258</b>	<b>153</b>	<b>469</b>

## Appendix 2 – Summary of Priority One Recommendations

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
<b>Non- School Audits</b>			
Abandoned Vehicles	High	No (Four priority 1 and six priority 2 issues)	<p>A priority 1 issued was raised as the records of reported abandoned vehicles on the Access 2003 database was incomplete, with images, links to '7 day' notices and the dates removed and outcomes not always being recorded.</p> <p>A priority 1 issued was raised as although the estimated contract value for abandoned vehicle removal is over £160k, there has been no tendering for this service and there is no contract in place between Tran-Support and the Council.</p> <p>A priority 1 issued was raised as invoices from the contractor are being receipted for payment without evidence of removed vehicles being obtained and without communication with the Abandoned Vehicle Service team to ascertain which vehicles should have been removed.</p> <p>A priority 1 issued was raised as there is no monitoring of instructions to Tran-Support to remove vehicles to ensure that these instructions are acted upon in a timely manner.</p>
Anti-Virus and Malware	High	Full	No priority 1 recommendations raised.
Bridges and Infrastructure	High	Substantial (Two priority 2 and one priority 3 issue)	No priority 1 recommendations raised.
Brokerage	High	Limited (Two priority 1 issues, three priority 2 issues and five priority 3 issues)	Priority 1 issues were raised as that providers outside of the signed Integrated Framework Agreement (IFA) were being used regularly for care provision of clients and there was no evidence provided of inspections having occurred at three of the five providers sampled.
CALAT – Income Collection	High	Substantial (Four priority 2 and two priority 3 issues)	No priority 1 recommendations raised.
Community Care Payments	High	Limited (Five priority 1 issues, three priority 2 issues and 1 priority 3 issue)	<p>Priority 1 issues were raised as funding for some placements was authorised after the placements, commitment forms for half the sample were raised at least seven days after the placement dates and commitment forms were not held for some placements.</p> <p>Furthermore, there was no evidence of a formalised process for the monitoring, processing and appropriate actioning of deceased client notification and there been a significant delay in the amendment of Advance Payment Solutions (APS) to Pre-paid Financial Services (PFS) bank account details resulting in 24 unnecessary rejected payments and the risk of payments being made to incorrect accounts.</p>
Croydon Equipment Solutions	High	Substantial (Seven priority 2 issues)	No priority 1 recommendations raised.
Deprivation of Liberty Safeguards	High	Limited (Two priority 1 and two priority 2 issues)	<p>A priority 1 issue was raised as the statutory requirement to complete MCA DoLS assessments within 21 days was not being met, with the average length of time between application and authorisation on completed assessments being 3 months for 2016/17.</p> <p>A priority 1 recommendation was raised as the DoLS Year 8 tracker for 2016/17 cases was not up-to-date, including incomplete or blank data fields.</p>
Direct Payments	High	Limited (One priority 1, two priority 2 and one priority 3 issue)	A priority 1 issue was raised as the Personal Budget Direct Payment Agreements did not have a fraud declaration or 'fair processing' notice.
Food Safety	High	Limited (Three priority 1, six priority 2 and two priority 3 issues)	<p>A priority 1 issued was raised as examination of the documentation for a sample of ten new establishments found that seven had not been sent a data collection form, one had the form sent 113 days after registering and another 102 days after registering.</p> <p>A priority 1 issued was raised as nine out of the ten new establishments sampled had not yet been inspected and the</p>

			<p>remaining establishment was only inspected 59 days after it opened</p> <p>A priority 1 issued was raised as four out of six establishments with a high risk rating (A) and 30 out of 63 with a B rating were not inspected within the required timeframes set by the FSA. It was further noted that 612 establishments were registered and due an inspection but these had not been conducted</p>
ICT Capita Contract - (ICT Client Team - Financial Contract Administration)	High	Limited (One priority 1 issue)	A priority 1 recommendation was raised as copies of a sample of change requests (CCNs) and corresponding Initial Impact Assessments (IIAs) and, where appropriate, approved Change Authorisation Notes were requested, but have not been provided. Furthermore, the CCN tracker was incomplete.
Mayors Charity	High	No (Five priority 1 issues, six priority 2 issues and two priority 3 issues)	<p>A priority 1 issue was raised as meetings were not being held in accordance with the 'Trust Deed Dated 31 March 1994',</p> <p>A priority 1 issue was raised as the funds collected for the previous mayor had not yet all been received and disbursed at the time of audit.</p> <p>A priority 1 issue was raised as sample testing found that four (out of 15) donations were not recorded on the Income and Expenditure spreadsheet used to monitor payments into and out of the Mayor's Charity fund.</p> <p>A priority 1 issue was raised as bank reconciliations are not performed on a regular basis.</p> <p>A priority 1 issue was raised as there was no evidence that an annual report was prepared, approved or submitted to the Charity Commission.</p>
Pay and Display Meter Maintenance and Income Collection	High	Limited (Two priority 1, one priority 2 and one priority 3 issue)	<p>A priority 1 issued was raised as the contract between NSL and the Council expired in 2015.</p> <p>A priority 1 issued was raised as none of the seven sampled variances between the pay and display meter readings and corresponding cash collections had been evidenced as investigated.</p>
Payments to Schools	High	Substantial (Four priority 2 and one priority 3 issue)	No priority 1 recommendations raised.
Pension Fund – Admitted and Scheduled Bodies	High	Substantial (Three priority 2 and one priority three issue)	No priority 1 recommendations raised.
Place Review Panel (Planning Pre-Application Advise Panel)	High	Substantial (One priority 2 and two priority 3 issues)	No priority 1 recommendations raised.
Registrars	High	Limited (One priority 1, two priority 2 and one priority 3 issue)	A priority 1 issue was raised as appropriate records of stock issued, income collected and refunds issued were not being maintained by all of the Registrars and independent reconciliations of these records to the daily cash summary sheets was not being conducted.
Schools Forum and its role in funding	High	Substantial (One priority 2 issue)	No priority 1 issues were raised
Special Sheltered Housing	High	Limited (Two priority 1 and eight priority 2 issues raised)	Priority 1 issues were raised as quarterly quality inspections were not always being conducted as required and, although sensitive personal data is shared between the Council and Mears, the Council has not received any documentation evidencing Mears' compliance with Data Protection legislation.
Street Trading Income Collection	High	Substantial (Eight priority 2 and one priority 3 issue)	No priority 1 recommendations raised.
Transport Fleet Management	High	Substantial (Three priority 2 issues)	No priority 1 recommendations raised.
Tree Root Inspections	High	Limited (One priority 1, four priority 2 and one priority 3 issue)	A priority 1 issued was raised as other than casual inspections by contractors hired to conduct pruning work, there is no other process in place to inspect trees for potential hazards or required works.
Unix/Linux Operating System	High	Substantial (One priority 2 and two priority 3 issues)	No priority 1 recommendations raised.

Windows Operating System Security	High	Full	No priority 1 recommendations raised.
Youth Offending Service	High	Substantial (Three priority 2 issues)	No priority 1 recommendations raised.
<b>SCHOOL AUDITS</b>			
All Saints C of E Primary	Med	Substantial (Five priority 2 and three priority 3 recommendations)	No priority 1 recommendations raised.
Archbishop Tenison (Limited Scope Review)	Med	Full (One priority 3 recommendation raised)	No priority 1 recommendations raised.
Coloma Convent Girls' School	Med	Substantial (Ten priority 2 and 4 priority 3 recommendations)	No priority 1 recommendations raised.
Crosfield Nursery	Med	Substantial (One priority 2 and one priority 3 recommendations)	No priority 1 recommendations raised.
Elmwood Infants School	Med	Limited (Two priority 1, seven priority 2 and five priority 3 recommendations)	Priority 1 issues were raised as barred list and DBS checks had not been conducted in a timely manner for some staff and governors and the Schools procurement cards were not obtained via the Council as required and were not evidenced as approved by the Governing Body
Elmwood Junior	Med	Substantial (Five priority 2 and five priority 3 recommendations)	No priority 1 recommendations raised.
Gilbert Scott Primary	Med	Substantial (Three priority 2 and two priority 3 recommendations)	No priority 1 recommendations raised.
Heavers Farm Primary	Med	Substantial (Two priority 2 and two priority 3 recommendations)	No priority 1 recommendations raised.
Howard Primary	Med	Substantial (Seven priority 2 and six priority 3 recommendations)	No priority 1 recommendations raised.
Margaret Roper Catholic Primary	Med	Substantial (Nine priority 2 and seven priority 3 recommendations)	No priority 1 recommendations raised.
Norbury Manor Primary	Med	Limited (Two priority 1, seven priority 2 and three priority 3 recommendations)	A priority 1 recommendation was raised as the approved and signed Governing Body and Finance and Personnel Committee minutes were not available for 16/17 and 17/18.  A priority 1 recommendation was raised as 14 out of the sample of 15 transactions sampled were not evidenced as appropriately approved for payment.
Priory	Med	Substantial (One priority 2 and three priority 3 recommendations)	No priority 1 recommendations raised.
Purley Nursery	Med	Substantial (Two priority 2 and two priority 3 recommendations)	No priority 1 recommendations raised.
Purley Oaks Primary	Med	Substantial (Four priority 2 and three priority 3 recommendations)	No priority 1 recommendations raised.

		recommendations)	
Rockmount Primary	Med	Substantial (Two priority 2 and four priority 3 recommendations)	No priority 1 recommendations raised.
Saffron Valley	Med	Substantial (Two priority 2 and four priority 3 recommendations)	No priority 1 recommendations raised.
Selsdon Primary	Med	Substantial (Four priority 2 and five priority 3 recommendations)	No priority 1 recommendations raised.
St Joseph's Federation	Med	Limited (Four priority 1, fourteen priority 2 and seven priority 3 recommendations)	Priority 1 issues were raised as there was no evidence of a barred list check being conducted for one of the new starters sampled, where there DBS check was only provided after their employment commenced, appropriately authorised orders were not available for eight of the fifteen transactions sampled and appropriate goods or services received checks were not evidenced for thirteen of the fifteen transactions sampled.  Furthermore, the Schools 2016/17 SFVS submitted to the Council was not approved in advance by the full Governing Body as required, was completed on the old 23 question version and the assessment for a number of the questions is not in line with the findings of this audit.
St Mary's Catholic High School	Med	Limited (Two priority 1, six priority 2 and eight priority 3 recommendations)	A priority 1 recommendation was raised as sample testing identified invoices totalling £26,400 where payments had been made directly to individuals, who the HMRC would deem as employees, without NI and Tax deductions being made.  A priority 1 recommendation was raised as one of the signatories on the School's bank mandate was no longer an employee of the School.
The Minster Nursery and Infants	Med	Limited (Two priority 1, ten priority 2 and five priority 3 recommendations)	A priority 1 recommendation was raised as from a sample of 15 purchases sampled from the School's disbursement account, it was identified that in 12 cases there was no evidence that goods or services received checks had been undertaken.  A priority 1 recommendation was raised as the School has out of date Health & Safety certificates. The School's Legionella Risk Assessment was dated October 2013 and the Chlorination certificate was dated 29 October 2015
Thornton Heath Nursery	Med	Substantial (Four priority 2 and three priority 3 recommendations)	No priority 1 recommendations raised.
Tunstall Nursery	Med	Substantial (One priority 2 and three priority 3 recommendations)	No priority 1 recommendations raised
Woodcote Primary	Med	Substantial One priority 1, three priority 2 and three priority 3 recommendations)	A priority 1 recommendation was raised as there was no contract in place or retention moneys deducted for the works to refurbish the School kitchen costing £79k.

## Appendix 3 - Follow-up of 2015/16 audits

Financial Year	Audit Followed-up	ELT Member Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
<b>Non School Audits</b>							
2015/16	Contract Management and Governance of Croydon Care Solutions	Richard Simpson	High	No (3 <sup>rd</sup> follow up in progress)	9	8	89%
2015/16	Adoption	Eleni Ioannides	High	Limited (3 <sup>rd</sup> follow up in progress)	4	3	75%
2015/16	Contract Management and Governance of Adult Social Care Providers	Richard Simpson	High	Limited (No further follow up)	6	5	84%
2015/16	Contract Management and Governance of Croydon Care Solutions	Richard Simpson	High	Limited (No further follow up)	9	9	100%
2015/16	Cyber Security	Richard Simpson	High	Limited (No further follow up planned)	2	2	100%
2015/16	Employee Expenses (via One Oracle)	Richard Simpson	High	Limited (No further follow up planned)	6	6	100%
2015/16	EMS Application	Richard Simpson	High	Limited (5 <sup>th</sup> follow up in progress)	4	1	25%
2015/16	Food Flagship	Guy Van Dichele	High	Limited (No further follow up planned)	9	8	89%
2015/16	Fostering	Eleni Ioannides	High	Limited (3 <sup>rd</sup> follow up in progress)	5	2	40%
2015/16	ICT Mobile Devices	Richard Simpson	High	Limited (No further follow up planned)	8	7	88%
2015/16	ICT Service Delivery ITIL Framework	Richard Simpson	High	Limited (3 <sup>rd</sup> follow up in progress)	2	1	50%
2015/16	Old Town Building Frontages	Shifa Mustafa	High	Limited (No further follow up planned)	5	5	100%
2015/16	Parking Control – Parking Permits	Shifa Mustafa	High	Limited (No further follow up planned)	10	9	90%
2015/16	Performance Monitoring Adult Social Care	Guy Van Dichele	High	Limited (1 <sup>st</sup> follow up in progress)	9	-	-
2015/16	Software Licensing	Richard Simpson	High	Limited (No further follow up planned)	8	8	100%
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 (No further follow up planned)	4	4	100%
2015/16	Asset Sales	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%



2015/16	Better Care Fund	Guy Van Dichele	High	Substantial (No further follow up planned)	7	7	100%
2015/16	Care Act 2014	Guy Van Dichele	High	Substantial (1 <sup>st</sup> follow up in progress)	2	-	-
2015/16	Childcare Provision	Eleni Ioannides	High	Substantial (No further follow up planned)	6	5	83%
2015/16	Clocktower and Town Hall Replacement Works	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Connected Croydon - Programme and Project Management	Shifa Mustafa	High	Substantial (2 <sup>nd</sup> follow up in progress)	4	2	50%
2015/16	Council Tax	Richard Simpson	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Croydon Challenge (Programme Management)	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Cultural Direction	Richard Simpson	High	Substantial (2 <sup>nd</sup> follow up in progress)	1	0	0%
2015/16	EMS Data Quality	Shifa Mustafa	High	Substantial No further follow up planned)	4	4	100%
2015/16	EU Procurement Directives	Richard Simpson	High	Substantial (2 <sup>nd</sup> follow up in progress)	2	0	0
2015/16	Housing Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Integrated Commissioning	Guy Van Dichele	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Internal Network	Richard Simpson	High	Substantial (2 <sup>nd</sup> follow up in progress)	2	1	50%
2015/16	Interserve – Fire Safety and Health and Safety Assessments	Richard Simpson	High	Substantial (No further follow up planned)	11	10	90%
2015/16	Locality Early Help	Eleni Ioannides	High	Substantial (No further follow up planned)	9	8	89%
2015/16	Looked After Children (placed in another LA area)	Eleni Ioannides	High	Substantial (1 <sup>st</sup> follow up in progress)	7	-	-
2015/16	Member Ethics and Transparency	Richard Simpson	High	Substantial (No further follow up planned)	2	2	100%
2015/16	NDR – Non Domestic Rates	Richard Simpson	High	Substantial (No further follow up planned)	3	3	100%
2015/16	NHS Partnership with Public Health	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	One Oracle Back Office	Richard Simpson	High	Substantial (No further follow up planned)	2	2	100%

2015/16	Payments to Schools	Richard Simpson	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Pension Fund Admitted Bodies	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	People Gateway Programme	Mark Meehan	High	Substantial No further follow up planned)	4	4	100%
2015/16	Places - Street Lighting	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Planning Enforcement	Shifa Mustafa	High	Substantial (No further follow up planned)	2	2	100%
2015/16	Procurement of Consultants - South Norwood Public Realm	Shifa Mustafa	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Public Consultations	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Risk Management	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	School Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	5	4	80%
2015/16	SEN Transport Contract	Richard Simpson	High	Substantial (No further follow up planned)	6	6	100%
2015/16	Wandle Park Pavilion Works	Shifa Mustafa	High	Substantial No further follow up planned)	4	4	100%
2015/16	Waste Contract Management	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Waste Recycling	Shifa Mustafa	High	Substantial (4th follow up in progress)	3	1	33%
2015/16	Youth Offending Service	Eleni Ioannides	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Cyber Security	Richard Simpson	High	Assurance n/a (no further follow up planned)	2	2	100%
<b>Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>228</b>	<b>198</b>	<b>87%</b>
<b>Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>53</b>	<b>51</b>	<b>96%</b>
<b>School Audits</b>							
2015/16	Beulah Junior	Eleni Ioannides	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Elmwood Junior	Eleni Ioannides	Medium	Substantial (No further follow up planned)	1	1	100%
2015/16	Gilbert Scott	Eleni Ioannides	Medium	Substantial	1	1	100%

				(No further follow up planned)			
2015/16	Howard Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Kingsley Primary	Eleni Ioannides	Medium	Substantial (N/A recommendations implemented at final report)	4	4	100%
2015/16	The Minster Junior	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	2	-	-
2015/16	Purley Oaks	Eleni Ioannides	Medium	Substantial (No further follow up planned)	6	6	100%
2015/16	Rockmount Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	1	1	100%
2015/16	Selsdon Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	St Chads RC Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	10	10	100%
2015/16	Winterbourne Infant and Nursery	Eleni Ioannides	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Winterbourne Junior Girls	Eleni Ioannides	Medium	Substantial (No further follow up planned)	2	2	100%
2015/16	Wolsey Infants	Eleni Ioannides	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	St Josephs RC Federation	Eleni Ioannides	Medium	Substantial (No further follow up planned)	3	3	100%
<b>School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>48</b>	<b>48</b>	<b>100%</b>
<b>School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>0</b>	<b>0</b>	<b>0</b>
<b>Recommendations and implementation from audits that have had responses</b>					<b>276</b>	<b>246</b>	<b>89%</b>
<b>Priority 1 Recommendations from audits that have had responses</b>					<b>53</b>	<b>51</b>	<b>96%</b>

## Appendix 4 - Follow-up of 2016/17 audits

Financial Year	Audit Followed-up	ELT Member Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
<b>Non School Audits</b>							
2016/17	Adult Care Packages	Guy Van Dichele	High	Limited (1 <sup>st</sup> follow up in progress)	7	-	-
2016/17	Adult Self-Funding and Deferred Payments	Mark Meehan	High	Limited (5 <sup>th</sup> follow up in progress)	8	6	75%
2016/17	ASC Caseload Management	Guy Van Dichele	High	Limited (2 <sup>nd</sup> follow up in progress)	7	4	57%
2016/17	Client Management of Octavo Partnership	Eleni Ioannides	High	Limited (No further follow up)	6	6	100%
2016/17	Contract Formalities and Storage of Contracts	Richard Simpson	High	Limited (1 <sup>st</sup> follow up in progress)	4	-	-
2016/17	Disabled Facilities Grants	Shifa Mustafa	High	Limited (4 <sup>th</sup> follow up in progress)	12	11	92%
2016/17	Facilities Management – Contract Cleaning	Richard Simpson	High	Limited (No further follow up)	7	7	100%
2016/17	Microsoft Office Enterprise Procurement compliance	Richard Simpson	High	Limited (No further follow up)	3	3	100%
2016/17	Pathways to Employment – Jobs Brokerage	Shifa Mustafa	High	Limited (No further follow up)	8	7	88%
2016/17	Procurement of Consultants – Caterham Bourne Flood Alleviation Scheme	Shifa Mustafa	High	Limited (No further follow up)	8	7	88%
2016/17	Anti-Social Behaviour	Shifa Mustafa	High	Substantial (3 <sup>rd</sup> follow up in progress)	9	4	44%
2016/17	Citrix Security	Richard Simpson	High	Substantial (No further follow up)	2	2	100%
2016/17	Clinical Governance	Guy Van Dichele	High	Substantial (3 <sup>rd</sup> follow up in progress)	3	0	0%
2016/17	Cloud Services and Solutions Azure	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	Commercial use of Bernard Weatherill House	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	Debt Recovery and use of Bailiffs	Richard Simpson	High	Substantial (No further follow up)	2	2	100%

2016/17	Declarations of Interests, Gifts and Hospitality	Richard Simpson	High	Substantial (No further follow up)	7	7	100%
2016/17	Empty Property Grants	Shifa Mustafa	High	Substantial (No further follow up planned)	6	6	100%
2016/17	Fairfield Delivery	Shifa Mustafa	High	Substantial (3 <sup>rd</sup> follow up in progress)	2	1	50%
2016/17	Flood Management Plan	Shifa Mustafa	High	Substantial (No further follow up planned)	7	6	86%
2016/17	HMRC Compliance	Richard Simpson	High	Substantial (4 <sup>th</sup> follow up in progress)	5	3	60%
2016/17	Household Green Waste	Shifa Mustafa	High	Substantial (No further follow up planned)	5	5	100%
2016/17	Housing Benefits	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Housing Registration and Allocation	Mark Meehan	High	Substantial (No further follow up planned)	8	7	87%
2016/17	Housing Rents and Accounting	Mark Meehan	High	Substantial (No further follow up planned)	7	6	86%
2016/17	Housing Repairs	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2016/17	Hyperion Application	Richard Simpson	High	Substantial (No further follow up)	9	8	89%
2016/17	Independent Fostering Agencies Framework Procurement	Richard Simpson	High	Substantial (1st follow up in progress)	2	-	-
2016/17	Intranet and Internet Security	Richard Simpson	High	Substantial (No further follow up)	2	2	100%
2016/17	Licensing Income	Shifa Mustafa	High	Substantial (4 <sup>th</sup> follow up in progress)	2	1	50%
2016/17	Members- Bring Your Own Devices (BYOD)	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	MOU – Clinical Commissioning Group	Guy Van Dichele	High	Substantial (No further follow up)	4	4	100%
2016/17	Payments to Schools	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Payroll	Richard Simpson	High	Substantial	3	3	100%
2016/17	Pension Fund Investments	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Prevent Agenda	Shifa Mustafa	High	Substantial (No further follow up planned)	1	1	100%

2016/17	Project Assurance Place	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2016/17	Public Health Integration	Guy Van Dichele	High	Substantial (2nd follow up in progress)	5	0	0%
2016/17	Regeneration Partnership	Shifa Mustafa	High	Substantial (1 <sup>st</sup> follow up in progress)	2	-	-
2016/17	S160 Negotiating, Recharging and Funding	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2016/17	Selective Licencing	Shifa Mustafa	High	Substantial (No further follow up planned)	5	5	100%
2016/17	Service and Maintenance of Fire Alarm and Emergency Lighting Contract	Shifa Mustafa	High	Substantial (No further follow up planned)	2	2	100%
2016/17	Service Desk	Richard Simpson	High	Substantial (No further follow up)	5	4	80%
2016/17	Sickness Absence	Richard Simpson	High	Substantial (No further follow up)	5	4	80%
2016/17	Top 50 Families Review	Mark Meehan	High	Substantial (No further follow up planned)	3	3	100%
2016/17	WAN Connectivity	Richard Simpson	High	Substantial No further follow up)	6	5	83%
2016/17	Windows Operating System Security	Richard Simpson	High	Substantial (No further follow up)	5	5	100%%
<b>Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>210</b>	<b>178</b>	<b>85%</b>
<b>Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>20</b>	<b>17</b>	<b>85%</b>
<b>School Audits</b>							
2016/17	Bensham Manor	Eleni Ioannides	Medium	Limited (1 <sup>st</sup> follow up in progress)	15	-	-
2016/17	Regina Coeli RC Primary	Eleni Ioannides	Medium	Limited (No further follow up)	7	6	86%
2016/17	Selhurst Children's Centre	Eleni Ioannides	Medium	Limited (1 <sup>st</sup> follow up in progress)	20	-	-
2016/17	St Andrews C of E High	Eleni Ioannides	Medium	Limited (2nd follow up in progress)	19	13	69%
2016/17	The Hayes Primary	Eleni Ioannides	Medium	Limited (No further follow up)	12	11	92%
2016/17	Virgo Fidelis High	Eleni Ioannides	Medium	Limited (No further follow up)	12	11	92%

2016/17	Archbishop Tenison C of E	Eleni Ioannides	Medium	Substantial (No further follow up)	8	7	88%
2016/17	Christ Church CE Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	4	4	100%
2016/17	Coulsdon C of E Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	2	2	100%
2016/17	Courtwood Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	2	2	100%
2016/17	Forestdale Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Greenvale Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	Kenley Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	7	7	100%
2016/17	Kensington Avenue Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	6	5	83%
2016/17	Keston Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	13	11	84%
2016/17	Monks Orchard Primary School	Eleni Ioannides	Medium	Substantial (No further follow up planned)	2	2	100%
2016/17	Orchard Way Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	12	10	83%
2016/17	Park Hill Infants	Eleni Ioannides	Medium	Substantial (No further follow up planned)	1	1	100%
2016/17	Park Hill Junior	Eleni Ioannides	Medium	Substantial (No further follow up)	1	1	100%
2016/17	Redgates SLD & Autism	Eleni Ioannides	Medium	Substantial (No further follow up)	11	9	82%
2016/17	Ridgeway Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Smitham Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	6	6	100%
2016/17	St Giles School	Eleni Ioannides	Medium	Substantial (No further follow up planned)	9	9	100%
2016/17	St Nicholas MLD & Autism Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	6	6	100%
2016/17	Thomas More	Eleni Ioannides	Medium	Substantial (No further follow up)	7	6	86%
2016/17	Downsview Primary	Eleni Ioannides	Medium	Full (N/A)	-	-	-

2016/17	Gresham Primary	Eleni Ioannides	Medium	Full (No further follow up planned)	1	1	100%
2016/17	St John's Cof E Primary	Eleni Ioannides	Medium	Full (No further follow up planned)	2	2	100%
2016/17	Beckmead School	Eleni Ioannides	Medium	Full (No further follow up)	4	4	100%
<b>School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>166</b>	<b>148</b>	<b>89%</b>
<b>School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>12</b>	<b>11</b>	<b>92%</b>
<b>Recommendations and implementation from audits that have had responses</b>					<b>376</b>	<b>326</b>	<b>87%</b>
<b>Priority 1 Recommendations from audits that have had responses</b>					<b>32</b>	<b>28</b>	<b>88%</b>



## Appendix 5 - Follow-up of 2017-18 audits

Financial Year	Audit Followed-up	ELT Member Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
<b>Non School Audits</b>							
2017/18	Abandoned Vehicles	Shifa Mustafa	High	No (2 <sup>nd</sup> follow up in progress)	10	7	70%
2017/18	The Mayors Charity	Julian Ellerby	High	No (1 <sup>st</sup> follow up in progress)	13	-	-
2017-18	Brokerage	Richard Simpson	High	Limited (2 <sup>nd</sup> follow up in progress)	10	2	20%
2017-18	Deprivation of Liberty Safeguards	Guy Van Dichele	High	Limited (No further follow up)	4	4	100%
2017-18	Direct Payments	Guy Van Dichele	High	Limited (1 <sup>st</sup> follow up in progress)	4	-	-
2017/18	Food Safety	Shifa Mustafa	High	Limited (No further follow up planned)	11	9	82%
2017/18	Pay and Display Meter Maintenance and Income Collection	Shifa Mustafa	High	Limited (2 <sup>nd</sup> further follow up in progress)	4	3	75%
2017/18	Registrars	Mark Meehan	High	Limited (No further follow up planned)	6	5	83%
2017-18	Special Sheltered Housing	Richard Simpson	High	Limited (1 <sup>st</sup> follow up in progress)	10	-	-
2017-18	Tree Root Inspections	Shifa Mustafa	High	Limited (2 <sup>nd</sup> further follow up in progress)	6	3	50%
2017/18	Admitted Bodies	Richard Simpson	High	Substantial (1 <sup>st</sup> follow up in progress)	4	-	-
2017/18	CALAT Income Collection	Shifa Mustafa	High	Substantial (2 <sup>nd</sup> follow up in progress)	6	3	50%
2017/18	Payments to Schools	Richard Simpson	High	Substantial (1 <sup>st</sup> follow up in progress)	5	-	-
2017/18	Place Review Panel	Shifa Mustafa	High	Substantial (1 <sup>st</sup> follow up in progress)	3	3	100%
2017/18	Street Trading – Income Collection	Shifa Mustafa	High	Substantial (1 <sup>st</sup> follow up in progress)	9	-	-
2017-18	Unix (Linux) Operating System Security	Richard Simpson	High	Substantial (1 <sup>st</sup> follow up in progress)	3	-	-
2017-18	Youth Offending Service	Eleni Ioannides	High	Substantial (No further follow up)	3	3	100%

Financial Year	Audit Followed-up	ELT Member Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2017/18	Windows OS Security	Richard	High	Full (1 <sup>st</sup> follow up in progress)	2	-	-
<b>Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>63</b>	<b>42</b>	<b>67%</b>
<b>Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>9</b>	<b>6</b>	<b>60%</b>
<b>School Audits</b>							
2017-18	Beulah Juniors	Eleni Ioannides	Medium	Limited (1 <sup>st</sup> follow up in progress)	13	-	-
2017-18	Elmwood Infants	Eleni Ioannides	Medium	Limited (No further follow up)	14	14	100%
2017-18	Norbury Manor	Eleni Ioannides	Medium	Limited (2 <sup>nd</sup> follow up in progress)	12	8	67%
2017-18	St Joseph's Federation	Eleni Ioannides	Medium	Limited (1 <sup>st</sup> follow up in progress)	25	-	-
2017-18	St Mary's High School	Eleni Ioannides	Medium	Limited (1 <sup>st</sup> follow up in progress)	16	-	-
2017-18	The Minster Nursery & Infant	Eleni Ioannides	Medium	Limited (No further follow up)	17	15	89%
2017-18	All Saints C of E Primary	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	8	-	-
2017-18	Coloma Convent School	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	14	-	-
2017-18	Crosfield Nursery	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	2	-	-
2017-18	Elmwood Junior	Eleni Ioannides	Medium	Substantial (No further follow up)	3	3	100%
2017-18	Heavers Farm Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	10	9	90%
2017-18	Howard Primary	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	13	-	-
2017-18	Margaret Roper Cof E Primary	Eleni Ioannides	Medium	Substantial (2 <sup>nd</sup> follow up in progress)	16	11	69%
2017-18	Priory	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	6	-	-

Financial Year	Audit Followed-up	ELT Member Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2017-18	Purley Nursery	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	4	-	-
2017-18	Purley Oaks	Eleni Ioannides	Medium	Substantial (No further follow up)	7	7	100%
2017-18	Rockmount Primary	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	6	-	-
2017-18	Saffron Valley	Eleni Ioannides	Medium	Substantial (No further follow up)	6	6	100%
2017-18	Selsdon Primary	Eleni Ioannides	Medium	Substantial (2 <sup>nd</sup> follow up in progress)	9	5	56%
2017-18	Thornton Heath Early Years	Eleni Ioannides	Medium	Substantial (No further follow up)	7	6	86%
2017-18	Tunstall Nursery	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	5	-	-
2017-18	Woodcote Primary School	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	7	-	-
2017-18	Archbishop Tenison	Eleni Ioannides	Medium	Full (No further follow up)	1	1	100%
2017-18	Beaumont Primary	Eleni Ioannides	Medium	Full (1 <sup>st</sup> follow up in progress)	3	-	-
<b>School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>102</b>	<b>85</b>	<b>83%</b>
<b>School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>8</b>	<b>7</b>	<b>88%</b>
<b>Recommendations and implementation from audits that have had responses</b>					<b>165</b>	<b>127</b>	<b>77%</b>
<b>Priority 1 Recommendations from audits that have had responses</b>					<b>23</b>	<b>16</b>	<b>70%</b>

## Appendix 6 - 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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<b>REPORT TO:</b>	<b>GENERAL PURPOSES &amp; AUDIT COMMITTEE</b>  18 <sup>th</sup> July 2018
<b>SUBJECT:</b>	<b>Internal Audit Review of Effectiveness 2017/18</b>
<b>LEAD OFFICER:</b>	<b>Executive Director Resources (Section 151 Officer)</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>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 2017/18. The Annual Governance Statement is published alongside the Annual Accounts.</p>	
<b>FINANCIAL SUMMARY:</b> The Internal Audit contract for 2017/18 was a fixed price contract of £333,000 and appropriate provision was made within the budget for 2017/18.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO:</b> N/A	

**1. RECOMMENDATION**

- 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 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 contract 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 at the time.

## **4. Internal Audit Performance 2017/18**

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 2017/18.

**Table 1: Implementation of Audit Recommendations to date**

Performance Objective	Target	Performance 2013/14	Performance 2014/15	Performance 2015/16 (to date*)	Performance 2016/17 (to date*)	Performance 2017-18 (to date*)
Percentage of priority one recommendation implemented at the time of the follow up audit	90%	100%	100%	96%	88%	77%
Percentage of all recommendations implemented at the time of the follow up audit	80%	95%	89%	89%	87%	70%

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

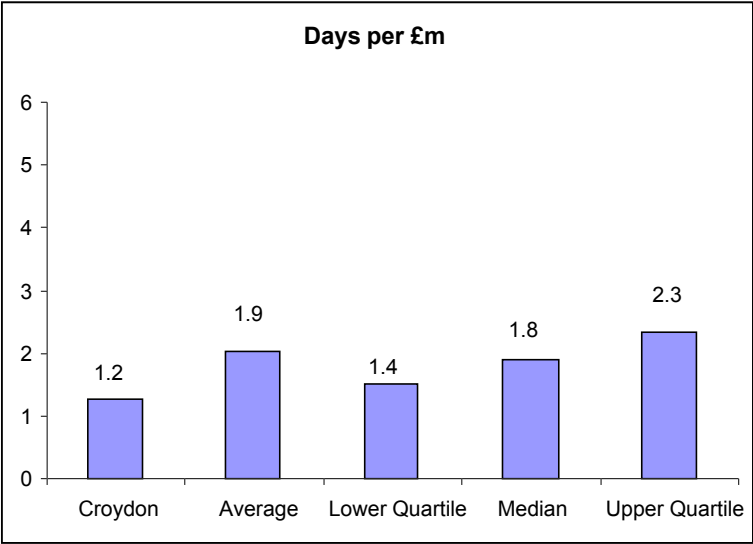
4.3 Table 2 details the Internal Audit service performance against key targets for 2017/18. Delivering 100% of the audit plan is an excellent performance.

**Table 2: Internal Audit Performance**

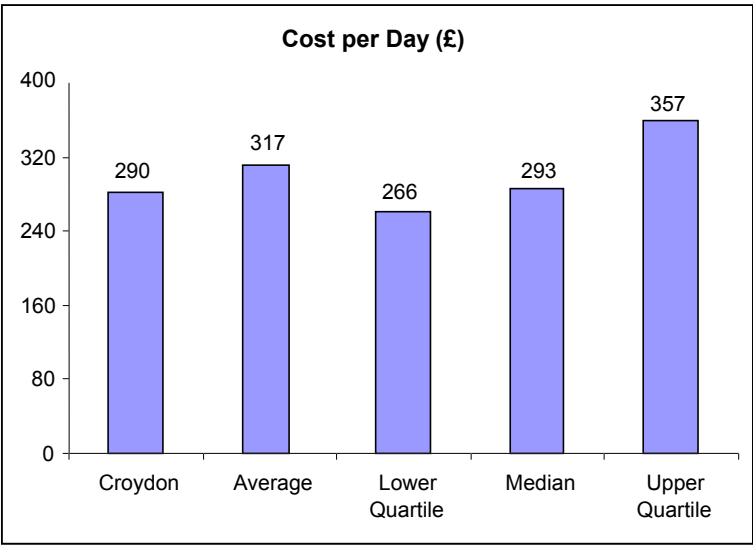
Performance Objective	Annual Target	Annual Performance	RAG
% of planned 2017/18 audit plan delivered	100%	<b>100%</b>	<b>G</b>
Number of 2017/18 planned draft reports issued	96	<b>96</b>	<b>G</b>
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	<b>89%</b>	<b>G</b>
% of staff with full qualifications engaged on audit	40%	<b>41%</b>	<b>G</b>

4.4 To ensure the Council continuously improves its Internal Audit service, the Council participated in the CIPFA Audit Benchmarking Club 2017. 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 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 2016/17 is shown in the following graphs

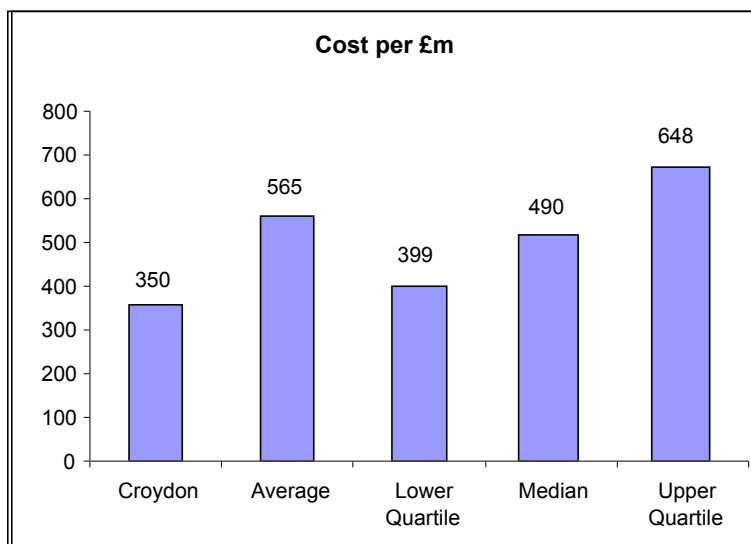


This shows that because of its risk focused approach to internal audit, Croydon uses proportionately fewer days per £M of council gross expenditure than most other unitary authorities.



This shows the cost of each day of internal audit activity. Croydon is in line with the median 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 a disappointing 17% response rate for audits carried out in 2017/18. This is down from the previous year (21%). The summary results are shown in table 3.

**Table 3: Customer satisfaction**

	2016/17 Good or Very Good	2017/18 Good or Very Good
Usefulness of the audit	91%	88%
Effectiveness of audit in covering key areas	95%	94%
Duration of audit	73%	88%
Feedback of findings and the opportunity to provide explanations	82%	88%
Presentation & Clarity of reports	95%	94%
Accuracy of findings in audit reports	86%	88%
Value of the report and the recommendations	77%	88%
Assessment of auditors knowledge	91%	88%
Assessment of auditors professionalism	95%	94%
Accessibility of the auditor and the audit service	95%	94%

5.2 The overall score for 2017/18 was **90%** which is similar to last year (88%). 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.

## **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 conducting 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 most of the 33 London Boroughs.
- 6.6 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.**
- 6.7 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 2017/18 was a fixed price contract of £333,000 and appropriate provision was made within the budget for 2017/18. There are no additional risk considerations than those within the report.

(Approved by: Ian Geary, Head of Finance, Resource & Accountancy)

## **9. COMMENTS OF THE SOLICITOR TO THE COUNCIL**

- 9.1 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 by Sandra Herbert Head of Litigation and Corporate for and on behalf of Jacqueline Harris-Baker Director of Law, Monitoring Officer and Council Solicitor)

## **10. HUMAN RESOURCES IMPACT**

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

(Approved by: Gillian Bevan, Acting Head of HR, Resources & CE Office)

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

- 11.1 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.

## **12. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS**

- 12.1 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.

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



<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> 18 July 2018
<b>SUBJECT:</b>	<b>Anti-Fraud Annual Report: 1 April 2017 – 31 March 2018</b>
<b>LEAD OFFICER:</b>	<b>Simon Maddocks, Director of Governance</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>The work of the Audit &amp; 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's vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law abiding Borough.</p>	
<b>FINANCIAL SUMMARY:</b>	
<p>The budget provision for the Anti-Fraud service for 2017/18 is £423,000 and the service is on target to be delivered within budget.</p>	
<b>FORWARD PLAN KEY DECISION REFERENCE NO: N/A</b>	

<p><b>1. RECOMMENDATIONS</b></p> <p>1.1 The Committee is asked to:</p> <ul style="list-style-type: none"> <li>• Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2017 – 31 March 2018</li> </ul>
--

## 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 2017 – 31 March 2018.

## 3. DETAIL

### Performance 1 April 2017 to 31 March 2018

- 3.1 The CAFT comprised 12 staff (11.4 FTEs), including investigators an Intelligence Officer and a Head of Service, in addition the team received support from Mazars PSIA Ltd, the Council's external strategic internal audit partner. The CAFT investigates allegations of fraud or corruption which affect the Council's business. In addition, during this period the team provided a service to the London Borough of Bexley to investigate allegations of fraud against them and provides support to the fraud team at the London Borough of Lambeth. It has also provided Financial Investigation services to the LB Waltham Forest as well as the Merton/Kingston/Sutton Trading Standards partnership. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 It has been reported previously to this committee that the CAFT was selected as a pilot to take part and help develop the London Counter Fraud Hub (LCFH), alongside Ealing, Camden and Islington councils. The ambition of the LCFH project is to see all of London matching datasets to identify discrepancies. 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. The pilot LA's have completed initial testing and are awaiting the final phase of testing, which will be User Acceptance testing. If this is satisfactory the pilot will be signed off and project will move to 'go live' stage

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	ANNUAL TARGET 17/18	17/18 YTD PERFORMANCE
Successful Outcomes	100	120	217
Identified Overpayments & Savings	£1,250,000	£1,250,000	£1,297,144

**Table 2 - Breakdown of Outcomes from 1 April 2017 – 31 March 2018 compared to the same period in 2016/17**

2016/17		2017/18	
Area	Value £	Area	Value £
<b>Housing</b> 16 Recovered Properties 4 Right to Buy stopped 1 Removed from Temp Accommodation **4 Removed from Housing list 3 Succession Stopped 13 Notices/Orders*	288,000 405,000 18,000 72,000 36,000	<b>Housing</b> 19 Recovered Properties 4 Right to Buy stopped 49 Removed from housing list 1 Succession stopped	342,000 415,600 98,000 18,000
<b>Other</b> 20 Formal Cautions 9 Dismissal/Resignation & Other Disciplinary Action 6 Council Tax Discounts 29 Blue Badge Abuse 1 Insurance Claim Stopped 2 Care Package Stopped 8 Safeguarding Referrals 2 Recommendations for Improvements 1 NRPF stopped 17 Other	545,348	<b>Other</b> 13 Formal Cautions 21 Dismissal/Resignation & Other Disciplinary Action 29 Council Tax Discounts 22 Blue Badge Abuse 1 Insurance Reviewed 1 Care Package Stopped 8 Direct Payment 9 Recommendations for Improvements 4 Landlord licence 1 NRPF deportation 35 Other	423,544
<b>Total</b>	1,382,348	<b>Total</b>	1,297,144

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

\*\* Non-cashable saving, as cost to the council only arises when someone moves from the list to a tenancy. Value reduced from £18,000 per case to £2,000 per case in 2017/18

#### **4. FINANCIAL INVESTIGATIONS**

- The Council employs two Financial Investigators (FIs) who are accredited by the National Crime Agency, and work using the Proceeds of Crime Act 2002. The FIs conduct financial investigations, attend some arrests and searches, undertake cash seizures, attend Crown Court and the enforcement court and give evidence to represent the council. They currently have cases related to the following service areas:

- Housing Benefit – (legacy cases)
- Trading Standards - trademark and rogue trader cases;
- Planning – enforcement case;
- Licensing; and
- Internal cases

4.1 At the time of writing the F.I's have 15 cases under investigation involving a total of 29 defendants. These investigations relate not only to Croydon cases, but include a case for another council.

4.2 F.I's are empowered to apply for restraint and production orders, which are a type of court order agreed by a judge, as well as being able to seize cash over the minimum value of £1,000. A restraint 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 £84,600 of cash detained as well as 8 restraint orders in place as follows:

- 25 Bank Accounts
- 8 Properties

4.3 In December 2010 Croydon started the Local Authority Financial Investigators forum to provide support, training and a networking framework and this has grown to 52 members from a wide variety of English councils'

#### **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 for the period from April 17 to March 2018:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	65
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*	740

\*The number of investigations that have been closed during the period April '17 to 31 March 18.

## **6. FINANCIAL AND RISK ASSESSMENTS**

- 6.1 The budget provision for the audit and anti-fraud service for 2017/18 is £423,000 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: Ian Geary, Head of Finance, Resources & Accountancy)

## **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 by Sandra Herbert Head of Litigation and Corporate for and on behalf of Jacqueline Harris-Baker Director of Law, Monitoring Officer and Council Solicitor.)

## **8. HUMAN RESOURCES IMPACT**

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

(Approved by: Gillian Bevan, Acting Head of HR, Resources and CE Office)

## **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.
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**CONTACT OFFICER: David Hogan (Head of Anti-Fraud)**



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<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> <b>18 JULY 2018</b>
<b>SUBJECT:</b>	<b>Annual Governance Statement 2017/18</b>
<b>LEAD OFFICER:</b>	<b>Chief Executive</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall,</b> <b>Cabinet Member for Finance &amp; Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<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>	
<b>FINANCIAL SUMMARY:</b> There are no direct financial considerations arising from this report.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO:</b> N/A	

## 1. RECOMMENDATIONS:

The General Purposes & Audit Committee are recommended to:

- 1.2 Approve the Annual Governance Statement for the year 2017/18 at appendix 1 to this report in relation to scope of responsibility, purpose of the framework, governance framework detail and review of its effectiveness.
- 1.3 Agree the statement on 'outcomes' in relation to 'Issues raised in 2016/17 Statement and progress to date'
- 1.4 Agree the significant governance issues identified in relation to 2017/18 and the actions being taken to mitigate those risks.

## **2. EXECUTIVE SUMMARY**

2.1 This report details the Annual Governance Statement (AGS), for 2017/18 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 2017/18. 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 2017/18 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”.

## **6. HUMAN RESOURCES IMPACT**

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

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

## **Appendix 1 ANNUAL GOVERNANCE STATEMENT**

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## **Appendix 1**

### **ANNUAL GOVERNANCE STATEMENT 2017/18**

#### **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](mailto: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 2018 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 Health and Wellbeing Strategy and the Safer Croydon Partnership Community Safety Strategy. 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. Demand/budget gap is not bridged without the need for additional cuts to services as the Council faces continued significant reductions in its grant funding, during the period 2017 to 2020. These reductions are imposed whilst the Council experiences a continuous rising demand for services provision and growth in population. The results of the Children's Services OFSTED inspection (June / July 2017) places greater risk on Council budgets due to the need for greater investment in this service. Quarter 3 (2017/18) year end forecast overspend is £5.861m. If this is not reduced it will need to be funded from the Council's reserves which are currently very low (second lowest in the London area) resulting in reduced funding in future years.</p>	<p>The 2017/18 budget resulted in a £5.032m overspend, mainly as a result of increased demand within Children's services. The 2018/19 budget, including a number of growth items to manage these increased costs alongside a council wide 2 year savings programme. This was presented to Cabinet and Full Council in February 2018 and was endorsed by both of these bodies.</p> <p>This budget 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, growth has been allocated to the appropriate areas and 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, and include improved commissioning and contract management, making better use of our assets, managing demand and early intervention and prevention as well as greater integration with health.</p> <p>The delivery of the 2 year £32m savings programme is the key action to ensure this risk is mitigated.</p> <p>Alongside this, the Council is also revising its operating model</p>	<p>Executive Director of Resources &amp; Section 151 Officer</p>	<p>Cabinet Member for Finance &amp; Resources</p>

	to ensure services are delivered in the right way to the right residents. This work and change to service delivery will also help manage budgets and resources.		
2. The OFSTED inspection of 'Services for children in need of help and protection, children looked after and care leavers' judged the Council's Children's Services as 'inadequate'. Following publication of the inspection report, the Council fails to action the recommendations raised or to address the findings resulting in children and young people at risk of harm, central government intervention, more frequent unannounced inspections and the removal of direct control by the Council for its Children's Services function within the borough.	Since the publication of the Ofsted Report in September 2017 an improvement plan has been drawn up which is being overseen by an improvement Board with an independent chair. The children's commissioner appointed by the DFE has reported to the Minister recommended that Children's Services remain under the control of the Local Authority subject to our entering into a partnership arrangement with Camden Council for support and guidance. Monitoring visits are being undertaken by Ofsted on a quarterly basis. The most recent report from March indicates some areas of progress.	Executive Director / DCS Children's, Families & Education	Cabinet Member for Children, Young People & Learning  Cabinet Member for Families, Health & Social Care
3. Consistency in the high numbers of unaccompanied asylum seekers (minors) where there is a statutory obligation to provide care/housing and a reduction in Home Office funding for them. There are additional implications in respect of the increases in relation to trafficked	Volumes of unaccompanied asylum seeking children (UASC) have reduced since the peak of 2015/2016 but remain steady with over 300 remaining in the care of Croydon Council. The national transfer scheme has slowed down resulting in many new arrivals remaining in our care. The combination of these factors continues to cause significant financial detriment to the Council.	Executive Director / DCS Children's, Families & Education	Cabinet Member for Children, Young People & Learning

<p>children and missing children as well as the implications of placing children we do not know in placements outside of the borough. There are also challenges being faced in the successful implementation of the National Transfer Scheme and Immigration Act.</p>			
<p>4. Social Care market supply disruption. **Situation has deteriorated so risk is still very high. Market failure is more common, increased by 82% nationally**</p>	<p>The care market in Croydon is still very volatile with a number of recent providers serving notice on their contracts. This is reflecting the national picture. Our primary concern is continuity of care for our residents. Commissioning colleagues and operational staff work closely together to work with residents and their families on securing alternative provision. The Council are taking a more proactive approach to minimise market failure and commissioning work with the sector through provider forums to stabilise the market. This has included negotiations on inflationary uplifts, discussions re pressures such as sleep in's and support re quality and CQC concerns. A new Market Position Statement (MPS) is also underway to replace the 2015 MPS and will be ready later this year. The work in the Alliance with the over 65s and new models of care is also supporting the increase in demand and our prevention work to reduce the number of people needing ongoing care for example through our LIFE (Living Independently for Everyone) service which offers a greater level of support to those coming out of hospital and need reablement. We are also starting a piece of work to analyse the true cost of care and intend to use this for future budgeting of the adult social care.</p>	<p>Executive Director / DASS Health, Wellbeing &amp; Adults.</p>	<p>Cabinet Member for Families, Health &amp; Social Care</p>



<p>5. Risk of exploitation of young people in the Borough particularly in relation to peer on peer activities and children missing from home and care.</p>	<p>A dedicated missing team has been set up as part of our improvement programme which is driving better compliance in the completion of return home interviews. Intelligence arising from these interviews is being coordinated with Police colleagues to provide a clearer oversight of risk patterns across the borough.</p>	<p>Executive Director / DCS Children's, Families &amp; Education</p>	<p>Cabinet Member for Children, Young People &amp; Learning  Cabinet Member for Families, Health &amp; Social Care</p>
<p>6. Internal audit work during the year identified a number of issues arising from non-compliance with the Councils Contracts and Tenders Regulations and on-going contract management.</p>	<p>This risk has been identified through audits undertaken on contracts across the Council. The main issues identified include contract management and compliance with the tender and contract regulations. We have already begun a drive towards effective contract management across the Council. In October 2017, we launched the Contract Management Framework across the Council. This included offering the Contract Management community some key tools, templates and guidance to enable effective contract management across all spend. We are now:</p> <ul style="list-style-type: none"> <li>• consistently collecting and reporting on Tier 1 contracts;</li> <li>• building the commercial capabilities of the contract management community;</li> <li>• identifying opportunities for synergies across divisions;</li> <li>• considering how technology can support improved contract/spend management across the Council.</li> </ul> <p>We are also updating the Tender and Contract regulations to provide clarity and address some of the issues identified. This will be followed by roadshows across the Council to build awareness about the Tender and Contract Regulations, the rules within them and the importance of compliance. This will be embedded in the Council Contract and Commissioning Board.</p>	<p>Executive Director of Resources (&amp; Section 151 Officer)</p>	<p>Cabinet Member for Finance &amp; Treasury</p>

<p>7. Internal audit work during the year identified a number of issues relating to budgeting and financial management within the People's department.</p>	<p>Croydon has a robust and well established budgeting and financial management process. Financial management follows a risk based financial monitoring approach. Service areas considered high risk are monitored on a monthly basis, with all other areas monitored quarterly. Finances are reviewed monthly at a departmental level at Senior Management Team meetings, then at Departmental Leadership Team and then scrutinised by lead Councilor's at monthly Governance Board before being presented to cabinet on a quarterly basis. Governance Board also reviews the delivery of savings, sustainability plans, performance and managing demand projects. To strengthen budgeting and financial management in 2017/18, finance training and budget setting drop –in sessions were provided to services with a view to deliver more widely across the People Department in the new financial year.</p>	<p>Executive Director / DCS Children's, Families &amp; Education</p> <p>Executive Director for Health, Wellbeing and Adults</p>	<p>Cabinet Member for Children, Young People &amp; Learning</p> <p>Cabinet Member for Families, Health &amp; Social Care</p>
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**Table 2 Issues raised in 2016/17 Statement and progress to date**

Key Risks	Action	Progress	Responsible Cabinet Member & Responsible Officer
<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>Progress has been made to manage the 2017/18 budget, resulting in a year-end overspend of £5.032m, a reduction from the Quarter 3 forecast overspend. Work is underway to ensure the savings are delivered in 2018/19 and that any overspends are reported and managed, as detailed in Table 1 of this Appendix.</p> <p>The development of the Council's new operating model will also help ensure budgets are managed and services delivered efficiently and effectively.</p>	<p>Executive Director of Resources (&amp; Section 151 Officer)</p> <p>Cabinet Member for Finance &amp; Treasury</p>

	The delivery of the 3 year £37m savings programme is the key action to ensure this risk is mitigated.		
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	<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</p>	<p>The Alliance Care Home business case is in draft for sign off in June. Following this commissioning strategies for a dynamic purchasing system will be developed for both Care Homes and domiciliary care.</p> <p>Inflation strategy is in place and has been used to stabilise the market.</p> <p>Of the £5.5m IBCF allocated to Croydon in 2017/8, <b>£592,176</b> was used to support the stabilisation of the Social Care provider market.</p> <p>Provider alliance established and meeting monthly to develop new ways of working. Emphasis on developing more supported living options.</p> <p>Market Position Statement being finalised setting out the intended areas for growth with the provider market. Working with residential care providers to explore deregistration options and converting to supported living.</p>	<p>Executive Director of People</p> <p>Cabinet Member for Families, Health &amp; Social Care</p>

<p>becomes unsustainable.</p>	<p>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>Currently we have strategic partnerships with two domiciliary care providers who are responsible for all hospital discharge reablement including discharge to assess split geographically. The north of the borough was the first and has proved a success.</p> <p>The One Croydon Alliance agreement is now enacted for a further 9 years. The first year has provided good evidence that the new models of care have significantly contributed to managing demand. Further work on Care Homes will bear fruit 2018/19.</p>	
<p>3. The integration of Health &amp; 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"> <li>• Deliver and expand on the new models of care for the over 65's, in particular Living Independently for Everyone (LIFE) &amp; Integrated Community Networks (ICN's) through the 'Out of Hospital' Plan;</li> <li>• Support integration of social care services with health services, notably Croydon Health Services (hospital and community provider) and ensure</li> </ul>	<p>The extension for the One Croydon Alliance agreement was signed in March 18. The main updates are</p> <ul style="list-style-type: none"> <li>• The existing out of hospital business case covering the LIFE and ICN projects has had a return on investment review, which has indicated some successes but also some areas for improvement. These interventions will be made as the projects transition to BAU</li> <li>• Phase 2 business cases for further transformation of Care homes, planned care, falls, frailty, end of life and mental health will be signed off</li> </ul>	<p>Executive Director of People</p> <p>Cabinet Member for Families, Health &amp; Social Care</p> <p>Cabinet Member for Finance and Treasury</p>

	<p>appropriate funding sources; and</p> <ul style="list-style-type: none"> <li>• Deliver the transition plan leading to a decision to extend the Alliance in December 2017, including: <ul style="list-style-type: none"> <li>○ Developing the 10 year financial model; and</li> <li>○ Agreeing risk and benefit share.</li> </ul> </li> </ul>	<p>in summer with work starting immediately on implementation</p> <ul style="list-style-type: none"> <li>• Under the extension it was also agreed by all partners that the Alliance will be Croydon's vehicle for transforming health and care for all residents. However extension of scope will be done on a case by case basis with each case going through relevant partner organisation's internal governance</li> </ul> <p>To that end work has begun on scoping Phase 3 business case.</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"> <li>• Re-negotiation of the leases to Concord House, Sycamore House and Windsor House;</li> <li>• An increase the Council's strategy of purchasing properties in order to expand the portfolio of affordable accommodation (paper to go to Cabinet);</li> <li>• Review of the landlord incentive payment for the Private Rental Sector offer to remain competitive;</li> <li>• Regular reporting on status to the Gateway &amp; Housing</li> </ul>	<p>In May 2017 the Cabinet approved revised lease agreements:</p> <ul style="list-style-type: none"> <li>• Concord and Sycamore Houses – 40-year finance leases</li> <li>• Windsor House – 21-year Full Repairing and Insuring (FRI) operating lease</li> </ul> <p>This has secured on-going supply of 338 units of temporary accommodation at an improved cost.</p> <p>In July 2017, the Cabinet agreed to a number of recommendations to increase housing supply to help to relieve the temporary and emergency housing situation in Croydon. This included the rolling investment of £100m for the acquisition of up to 250 properties at market rates. We</p>	<p>Executive Director of People</p> <p>Cabinet Member for Homes, Regeneration &amp; Planning</p>

	<p>Transformation Board;</p> <ul style="list-style-type: none"> <li>• Revision of the housing allocation scheme;</li> <li>• Launch of Choice Based Lettings; and</li> <li>• Recruitment of additional staff particularly Lettings Negotiators.</li> </ul> <p>Expansion of the Gateway and related services, in order to further reduce the demand for such.</p>	<p>have completed purchase of 60 properties to date.</p> <p>Last year we invested a further £15 million into:</p> <ul style="list-style-type: none"> <li>• Real Lettings Property Fund, gaining access to 47 two bed homes, with rent levels set at local housing allowance.</li> </ul> <p>A major challenge in reducing the level of homelessness is the ongoing lack of affordable long term accommodation in the private sector and the Council is working hard to address this. The Initiatives Team have been given additional resources to employ specialist staff to increase the supply of local PRS accommodation, through advertising, offering a range of services to manage properties or offer competitive incentives to landlords for access to affordable accommodation for homeless families.</p> <p>We have recruited five additional officers into the Housing Supply Team during the financial year 2017/18 which supported the team's work to generating additional units being made available to people in Emergency Accommodation (EA) /Temporary Accommodation (TA) resulting in reduced time for families spent in EA and contributing to improving their health and</p>	
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		<p>well-being.</p> <p>We have reviewed our incentives to make them more competitive with other London boroughs which has seen an increase in supply in the private rented sector.</p> <p>We have completed the review of our Allocations Scheme and introduced 'Croydon Choice' - the Council's choice based lettings scheme – which was launched on the 22 May 2017. Croydon Choice has transformed the lettings process, enabling housing register applicants to bid on properties that they are interested in, putting them at the heart of the process.</p> <p>Alongside this, work has been done with housing associations partners to strengthen joint working, through the development of a new nominations agreement and a formal cost sharing arrangement in which HAs will contribute to the ongoing costs of operating Croydon Choice.</p> <ul style="list-style-type: none"> <li>• Around 300 homes have been let, attracting a total of 58,451 bids from registered applicants.</li> <li>• 239 TA household moves into social housing.</li> <li>• Reduction in number of Council stock being used as TA and converted to Perm from 1300 in 2015 to below</li> </ul>	
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		<p>500.</p> <ul style="list-style-type: none"> <li>We have been successful in bringing 105 empty properties back into use in 2017/18 that have been used to move families out of bed and breakfast accommodation. This is an increase on the previous year achievement of 87 properties. We will be expanding the team in 2018/19.</li> </ul>	
<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>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>Significant progress has been made to develop and implement a consistent and comprehensive contract management approach across the Council. In October 2017, we launched the Contract Management Framework across the Council. This included offering the Contract Management community some key tools, templates and guidance to enable effective contract management across all spend. We are now:</p> <ul style="list-style-type: none"> <li>consistently collecting and reporting on Tier 1 contracts;</li> <li>building the commercial capabilities of the contract management community;</li> <li>identifying opportunities for synergies across divisions;</li> <li>considering how technology can support improved contract/spend management across the Council.</li> </ul>	<p>Executive Director of Resources (&amp; Section 151 Officer)</p> <p>Cabinet Member for Finance &amp; Treasury</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>Low value (under £100k) purchases are made across the Council. To understand our low value purchasing behaviour, we have commissioned Spend Networks to undertake some spend analysis. The purpose of this work is to:</p> <ul style="list-style-type: none"> <li>• understand the spending patterns of divisions within the organisation.</li> <li>• identify areas where purchases are made in a non-compliant way and addressing these with the Divisions.</li> <li>• addressing opportunities within our P2P process to ensure compliance.</li> </ul> <p>We are also updating the Council's Tender and Contract Regulations to ensure there is a clearer framework around low value purchasing.</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.

Signed.....  
**Jo Negrini**

Signed.....  
**Tony Newman**

**Chief Executive**

**Date.....**

**Leader of the Council**

**Date.....**

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<b>REPORT TO:</b>	<b>GENERAL PURPOSES &amp; AUDIT COMMITTEE</b> 18 July 2018
<b>SUBJECT:</b>	<b>GPAC Independent Non-voting Member Recruitment</b>
<b>LEAD OFFICER:</b>	<b>Simon Maddocks, Director of Governance</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
The report details a process for appointment of independent non-voting Members in respect of Audit functions for the General Purposes and Audit Committee	
<b>FINANCIAL IMPACT</b>	
There are no direct costs arising from the proposals within this report.	
<b>1. RECOMMENDATIONS:</b>	
That the Committee:	
1.1 Approve the process and procedure for appointment of independent non-voting co-opted members of the Committee as set out in Appendix 1;	
1.2 Delegate authority to the Director of Governance, in consultation with the Chair of General Purposes and Audit Committee to:	
1.2.1 commence recruitment by way of advertisement of the vacancy for an independent non-voting co-opted member of the Committee (in respect of audit functions only),	
1.2.2 undertake shortlisting and interviews and	
1.3.3 report the outcome of interviews to the next meeting of the Committee for onward recommendation to full Council for appointment;	
Such process and appointment to be undertaken in accordance with the criteria set out in Appendix 1	

## 2. EXECUTIVE SUMMARY

- 2.1 This report summarises the proposed process in relation to the appointment of an independent non-voting co-opted Member on the General Purposes and Audit Committee and requests a delegation as set out in the recommendations in order to progress this appointment process.

## 3. DETAIL

- 3.1 The Council Constitution provides for the General Purposes and Audit Committee to have two non-elected independent non-voting members on the

Committee. These co-opted Members can provide the Committee with outside knowledge, experience and skills that can inform the Audit work of the General Purposes and Audit Committee and supplement the role of Members.

- 3.2 There is currently a vacancy following the resignation of one of the post holders.
- 3.3 Delegation is sought for the Chair and the Director of Governance to commence recruitment by inviting applications for the independent non-voting co-opted Member post for the General Purposes and Audit Committee in accordance with the process set out at Appendix 1.
- 3.4 Once a suitable candidate is identified following the interview process, this will be reported back to the committee at future meeting to enable a recommendation to be made to Full Council at the end of October for the appointment to be confirmed.
- 3.5 It is hoped that a new independent non-voting co-opted Member of the committee would commence their duties at the December meeting of the committee.

#### **4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 4.1 The proposals within the report do not have financial implications as the Scheme of Members Allowances does not contain provision for allowances to Co-opted Members.

(Approved by: Ian Geary, Head of Finance, Resources & Accountancy)

#### **5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 5.1 The Council Solicitor comments that there is provision within the Constitution for the appointment of two independent non-voting co-opted committee members who are permitted to be involved in respect of the Audit Functions of the committee only.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law, for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer)

#### **6. HUMAN RESOURCES EQUALITIES, ENVIRONMENT AND CRIME AND DISORDER REDUCTION IMPACTS**

- 6.1 There are no direct implications in these areas arising from this report.

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**CONTACT OFFICER:** Simon Maddocks, Director of Governance

**BACKGROUND DOCUMENTS:** None

**APPENDIX:** Process for co-option of non-elected independent non-voting member.

**PROCESS FOR CO-OPTION OF NON-ELECTED INDEPENDENT NON-VOTING MEMBERS OF GENERAL PURPOSES AND AUDIT COMMITTEE**

- 1.1 This process relates only to independent non-voting co-opted Members of General Purposes and Audit Committee (“the Committee”).
- 1.2 Council has agreed that the Committee shall have two independent non- voting co-opted members (“Co-opted Members”) in relation to the conduct of its Audit functions only.
- 1.3 The Co-opted Members may not be either officers or Members of the Council.
- 1.4 Anyone who lives, works (including voluntary work) and/or studies in Croydon is eligible to be a Co-opted Member on the Committee.
- 1.5 A vacancy may be advertised on the Council’s website or more widely if the Committee is of the view that to do so would be beneficial.
- 1.6 In approving an appointment, the Committee will be mindful of the potential for any ongoing or potential conflicts of interest between, for example, the Co-opted Members’ paid employment and the audit work of the Committee.
- 1.7 Co-opted Members will usually be appointed for a period of one year with their appointment to be coterminous with the municipal year but may also be appointed for a shorter period of time if necessary.
- 1.8 Co-opted Members may be disqualified during their term of office if they do not attend three consecutive meetings of the Committee to which they have been co-opted; or if they are elected as a Member of the Council or become a Council officer. It is the responsibility of the Co-opted Member to inform the Council if a circumstance arises which they believe disqualifies them from continuing their term of office. Co-opted Members may resign during their term of office.
- 1.9 Co-opted Members are required to comply with the Code of Conduct for Co-optees as adopted and amended from time to time by the Council. Failure to comply with the Code of Conduct for Co-optees may result in their appointment being terminated.
- 1.10 Co-opted Members will not receive an allowance or a salary.
- 1.11 Co-opted Members will:
  - Be expected to attend all meetings of the Committee to which they have been appointed and read the agenda papers
  - Bring an external perspective to the work of the Committee by utilising their knowledge and experience
  - Be expected to represent the whole community and not just one sector or viewpoint
  - Act independently of party politics and lobbying interests

- Be expected to treat other Committee Members, officers and external parties with respect
- Comply with the Committee procedure rules, rules of debate and the Code of Conduct for Co-optees
- Be required to recognise that they may encounter sensitive information and to act with discretion and keep any confidential information confidential.

**July 2018**