

General Purposes & Audit Committee Agenda



To: Councillor Karen Jewitt (Chair)
Councillor Joy Prince (Vice-Chair)
Councillors Pat Clouder, Bernadette Khan, Mary Croos, Stephen Mann,
Jan Buttinger, Oni Oviri, Stuart Millson and Steve Hollands,

Co-Optee Members: Muffaddal Kapasi and (Vacancy)

Reserve Members: Clive Fraser, David Wood, Jamie Audsley,
Sherwan Chowdhury, Patsy Cummings, Toni Letts, Jason Cummings,
Badsha Quadir, Ian Parker and Simon Brew

A meeting of the **General Purposes & Audit Committee** which you are hereby summoned to attend, will be held on **Tuesday, 17 March 2020** at **6.30pm** in **F10, Town Hall, Katharine Street, Croydon CR0 1NX**

JACQUELINE HARRIS-BAKER
Council Solicitor and Monitoring Officer
London Borough of Croydon
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Michelle Ossei-Gerning
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www.croydon.gov.uk/meetings
Monday, 9 March 2020

Members of the public are welcome to attend this meeting.

If you would like to record the meeting, we ask that you read the guidance on the recording of public meetings [here](#) before attending

The agenda papers for all Council meetings are available on the Council website www.croydon.gov.uk/meetings

If you require any assistance, please contact Michelle Ossei-Gerning
020 8726 6000 x84246 as detailed above

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 - 10)

To approve the minutes of the meeting held on Monday 13 January 2020 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. Grant Thornton - Audit Plan (Pages 11 - 50)

To receive the Audit Plan for 2019/2020.

6. Mazars - Housing Benefits (Pages 51 - 52)

To receive the Housing Benefit Subsidy Claim Audit 2018/2019.

7. Internal Audit Charter, Strategy and Plan (Pages 53 - 72)

The report of the Internal Audit Charter, Strategy and the Plan of audit work for 2020/21 is attached.

8. Internal Audit Update Report (Pages 73 - 94)

This report details the work completed by Internal Audit so far during 2019/20 and the progress made in implementing agreed actions from audits completed in previous years.

9. Anti-Fraud Update Report (Pages 95 - 100)

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 2019 – 31 January 2020.

10. Corporate Risk Register (Pages 101 - 110)

The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at 17 March 2020.

11. General Purpose and Audit Committee Draft Annual Report 2019-2020 (Pages 111 - 122)

The General Purposes and Audit Committee Annual Report 2019-2020 is attached.

12. GPAC Independent Non-voting Member Recruitment (Pages 123 - 126)

This report identifies the recommended candidate to be appointed as an independent non-voting co-opted Member on the General Purposes and Audit Committee.

13. Update on In-Year Appointments (Pages 127 - 128)

This report updates Members on a number of in-year appointments made either by the Leader of the Council under executive powers or by the Council Solicitor under delegated powers since the last meeting of the Committee.

14. Council Meeting Dates 2020/21 Update

This is for the Committee to formally note the moving of the date for Council from 5 to 12 October 2020.

15. 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

General Purposes & Audit Committee

Meeting of General Purposes & Audit Committee held on Monday, 13 January 2020 at 6.30pm
in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Karen Jewitt (Chair);
Councillor Joy Prince (Vice-Chair);
Councillors Pat Clouder, Mary Croos, Stephen Mann, Jan Buttinger,
Stuart Millson and Steve Hollands

Muffaddal Kapasi and Nousheen Hassan (Co-opted Members)

Also Present: Councillor Simon Hall

PART A

1/20 **Minutes of the Previous Meeting**

The minutes of the meeting held on 9 October 2019 were agreed as an accurate record, subject to the addition of Councillor Simon Hall to the list of those present at the meeting.

2/20 **Disclosure of Interests**

There were none.

3/20 **Urgent Business (if any)**

There were no items of urgent business.

4/20 **Grant Thornton Reports - Annual Audit Findings**

The Committee considered a report of the Director of Finance, Investment and Risk that informed Members that the 2018/19 audit undertaken by Grant Thornton had been completed and the audit certificate had been issued and published on the Council's website with the statement of accounts.

In considering the report, Members heard that an updated copy of the certificate would be issued and published to correct typographical errors on the original certificate. Members also heard that, while the completion of the audit was slightly later than in previous years due to additional work being

undertaken on the value for money conclusion, it had still been completed within the required timescales.

In response to questions, the Committee heard that the inclusion of an adverse conclusion by the auditors represented a raising of concerns in specific regard to the accounting treatment given to the Dedicated Schools Grant and in regard to the Ofsted inspection of Children's Services in June 2017.

Members heard that it was acknowledged that there would continue to be a concern raised by the Auditors all the time Children's Services continued its improvement journey and that, from an Audit perspective, while the service remained under an Ofsted inspection regime 'inadequate' judgement, its VFM inclusion as an area of concern would remain as an automatic caveat within the audit assessment.

The Committee further heard that the issue of an adverse conclusion did not represent a qualification against the Council's accounts and that the accounts had been signed off as detailed on the certificate issued by the independent auditors. Officers were working with the Auditors on the two concerns raised in order to remedy those issues for future audits of the accounts. Financial lessons from the Ofsted inspection were being learned across the organisation, and those lessons included a greater degree of challenge when budget savings in other demand led services were being proposed alongside a more robust assessment of their deliverability.

RESOLVED: To note that

1. The Audit of the 2018/19 Accounts had concluded as detailed in the letter contained at Appendix 1 of the report; and
2. The certificate of completion of the 2018/19 audit had been issued as detailed in Appendix 2 of the report.

5/20

Internal Audit Update Report

The Committee considered a report of the Head of Internal Audit that detailed the work completed by internal audit up to November 2019 and the progress made in implementing recommendations from audits completed in previous years.

In considering the report, the Committee heard that half of the reports issued to date during the current financial year received 'limited assurance'. While this gave an indication that an overall Limited Assurance would be issued, this could change as it was based on a relatively small sample size and the indication would be stronger as more audits are completed and reported on during the course of the year.

Members also heard that all priority one recommendations were pursued until they were completed irrespective of the age of the recommendation. In regard to outstanding recommendations from 2015/16, the Committee heard

that the EMS application was in the process of being phased out, so it was likely not to be economically viable to complete all of the recommendations from that report. Consideration was being given to the audit of the Waste Recycling service being performed again in the new year from April.

In consideration of the outstanding recommendations from 2016/17, the Committee requested that an update in relation to the audit of Contract Monitoring and Management within the Streets division be circulated to Committee Members as soon as possible.

RESOLVED: That the Internal Audit Report for April to November 2019 at Appendix 1 of the report be noted.

6/20 **Anti-Fraud Update Report**

The Committee considered a report of the Head of Anti-Fraud that detailed the performance of the Corporate Anti-Fraud Team and an update on related developments during the period 1 April 2019 to 30 November 2019.

Members were informed that in October 2018, the Government had launched the 'Government Counter Fraud Profession', the 26th recognised profession within the civil service. As part of efforts to roll out the new counter-fraud professional standards across the public sector, the London Borough of Croydon had been approached by the Government to play a lead role. To that end, Croydon Council would be the first Local Authority to submit an application for all its Fraud Investigators to convert their existing accreditation to the new Government standard.

In response to questions, the Committee heard that the Anti-Fraud team delivered training to both staff and Members across the Council. This included an e-learning package as well as classroom based sessions.

RESOLVED: That the Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2019 – 30 November 2019 be noted.

7/20 **Corporate Risk Register**

The Committee considered a report of the Head of Risk and Corporate Programme Office that updated Members on the corporate risk register as at 13 January 2020.

In considering the report, Members heard that work was being undertaken to capture target completion dates for mitigating measures against risks and it was anticipated that future versions of the register presented to the Committee would include that detail.

In response to a question, the Committee heard that the entry relating to Brexit would be reassessed should the UK exit the European Union in January 2020.

Members further heard that a number of Government departments in addition to the Home Office were lobbied by the Council on the issue of funding for unaccompanied asylum seeking children. Dialogue took place at both elected Member on a cross party basis and at officer level. This included dialogue with the treasury, the department for education, the department for communities, local government and housing and with the new Minister for London.

RESOLVED: That the contents of the Corporate Risk Register as at 13 January 2020 be noted.

8/20 **Update on In-Year appointments**

The Committee considered a report of the Executive Director of Resources and Monitoring Officer that detailed a number of in-year appointments made since the last meeting of the Committee.

Following discussion it was

RESOLVED: That the in-year appointments made either under delegated powers or the Leader's Executive powers, as detailed in paragraph three of the report, be noted.

9/20 **Exclusion of Public and Press**

As there was no exempt business to be considered, this item fell.

Members noted that this was Nousheen Hassan's last meeting and wished her well for the future. With there being a vacancy for an Independence Member for this Committee, it was agreed that the Chair would lead the recruitment for a replacement.

The meeting ended at 7.02pm

Signed:

Date:

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DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.



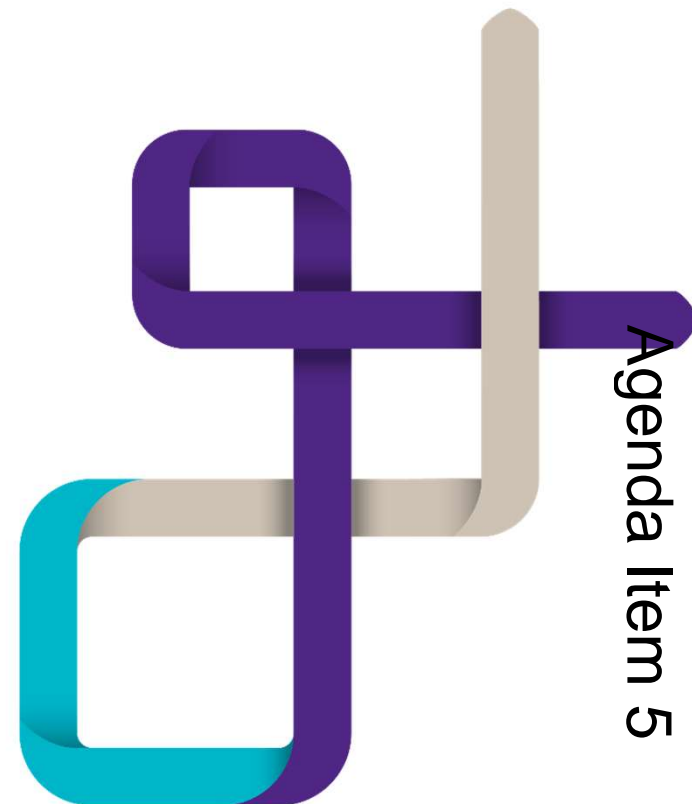
External Audit Plan

Year ending 31 March 2020

London Borough of Croydon

9 March 2020

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Agenda Item 5

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the London Borough of Croydon ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the London Borough of Croydon. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority and group's financial statements that have been prepared by management with the oversight of those charged with governance (the General Purposes and Audit Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the General Purposes and Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

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Group Accounts

The Authority is required to prepare group financial statements that consolidate the financial information of the following organisation:

- Brick by Brick Croydon Limited

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Fraud in revenue recognition – this risk has been rebutted for the Authority as documented on Page 7
- Management override of controls
- Valuation of land and buildings
- Valuation of net pension fund liability
- Valuation of Investment Properties
- Transfer of Properties from the Authority to the Pension Fund
- Incomplete or inaccurate financial information transferred to the new general ledger

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £18.5 million (PY £23.483 million) for the Group and £18 million (PY £22.572 million) for the Authority, which equates to around 1.4% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £900k (PY £1.129 million).

Introduction & headlines (continued)

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- The Authority's Financial Sustainability, including the Authority's arrangements for addressing the risks arising from Brexit
- OFSTED Inspection of Children's Services
- The Governance of the Authority's Alternative Delivery Models

Audit logistics

Our interim visit will take place in February/March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £188,602, subject to PSAA approval (PY: £152,602) for the Authority, which is also subject to the Authority meeting our requirements set out on page 17.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

2. Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For you, we are aware that there are continuing pressures on Social Care despite all of the good work which has taken place over recent years, along with the impact of Nil Recourse to Public Funds on your budgets.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty (update as appropriate). The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Financial Reporting and Audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Implementation of IFRS 16 – Leases

Following on from some delays in implementation, the new Leases Standard, IFRS 16, is finally implemented by the Public Sector from the 1st of April 2020. Whilst there are minimal changes to lessor accounting, there are considerable changes to lessee accounting, including the removal of operating leases, so all leases held as a lessee will now be on the lessee's Balance Sheet. However there are some exemptions which you will need to consider, covering low value assets and short term leases.

Whilst the main financial impact of the new Standard will be on the 2020-21 Accounts, you are required to report the potential impact of the new Standard in this year's Accounts, hence work will be needed in advance of then to ensure an accurate impact is disclosed in this year's Accounts.

Development of further innovative arrangements

The Authority has continued to consider alternative solutions to some of its challenges during 2019-20:

- the Authority has agreed to transfer 348 properties to the Pension Fund in lieu of a reduced contribution rate over the course of the next 40 years
- they are also undertaking additional borrowing for Tranche 3 of the ETA Scheme, which the Authority is hoping will generate additional income streams over the coming years.

There will also be accounting challenges over these arrangements as well.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.
- We will also consider your ongoing arrangements in relation to Brexit as part of our ongoing risk assessment.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Strategic Director of Finance and Governance and is subject to PSAA agreement.

- We will review your arrangements ahead of the implementation of IFRS 16 to ensure that all potential leases covered by the new Standard are identified.
- We will also assess the adequacy of your disclosure about the financial impact of implementing IFRS 16 – Leases from 1 April 2020 as part of our work at year end.

- We will review the new arrangements during the course of the year and ensure proper process has been followed around these.
- We will also review the accounting for these transactions, where applicable, for the 2019-20 Accounts, to ensure these have been processed correctly.

3. Group audit scope and risk assessment

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

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
London Borough of Croydon	Yes		Refer to pages 7 to 10 of this Plan for details of the risks identified.	Full scope UK statutory audit performed by Grant Thornton UK LLP
Brick by Brick Croydon Ltd	Yes		<ul style="list-style-type: none"> Risk of fraudulent revenue recognition Management override of controls Work in progress activity not valid (Valuation Gross) Work in progress impairment not accounted for properly (Valuation Net) Operating expenses understated or not recorded in the correct period (completeness) None of these risks are considered material risks at the group level.	Targeted review of specific material balances and reliance on the statutory audit performed by the Auditor of Brick by Brick Croydon Ltd for the year ended 31 March 2020
Croydon Affordable Homes LLP	No		No specific risks identified	Analytical review performed by Grant Thornton UK LLP
Croydon Affordable Tenures LLP	No		No specific risks identified	Analytical review performed by Grant Thornton UK LLP
Croydon Care Solutions Ltd	No		No specific risks identified	Analytical review performed by Grant Thornton UK LLP
Octavo Partnership Ltd	No		No specific risks identified	Analytical review performed by Grant Thornton UK LLP
Croydon Enterprise Loan Fund Ltd	No		No specific risks identified	Analytical review performed by Grant Thornton UK LLP

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Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

4. Significant risks identified

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

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	Group and Authority	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the London Borough of Croydon, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for the London Borough of Croydon.</p> <p>In respect of Brick by Brick Croydon Ltd, whilst we are not able to specifically rebut the revenue recognition risk, as the level of revenue received by Brick by Brick is not material, this risk does not have an impact on our audit approach for the group accounts.</p>	
Management over-ride of controls	Group and Authority	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Group and Authority	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.884 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding. We will engage our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation. • Test a sample of revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Valuation of the pension fund net liability	Group and Authority	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£653 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties	Group and Authority	<p>The Authority revalues its Investment Properties on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£99 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2020.</p> <p>We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation. • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Transfer of Properties from Authority to Pension Fund	Group and Authority	<p>During the course of the year, the Authority has transferred 346 houses into the Pension Fund, between November 2057 and April 2059. As a result of this pledge, the Authority is seeking a reduced contribution rate over the course of the 40 years, which would be set by the Authority's Actuary, Hymans Robertson LLP.</p> <p>We therefore identified the completeness and accuracy of the information around the transfer of properties as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the legal advice obtained by the Authority in respect of this transaction • consider the actuarial impact of the transfer on the Authority's Contribution Rates, and the potential impact of this transfer on the Authority's Defined Benefit Net Liability • consider the advice obtained by the Authority and the Pension Fund over the risks attached to the transaction, given how far in the future the proposed transfer of properties is scheduled to be. • review the disclosures around the transfer to ensure they correctly reflect the transaction in both the main Authority and Pension Fund Accounts.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Incomplete or inaccurate financial information transferred to the new general ledger</p>	<p>Group and Authority</p>	<p>In April 2020, the Authority implemented a new cloud based general ledger system for the 2019/20 financial year. When implementing a new significant accounting system, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transfer from the previous ledger system.</p> <p>We therefore identified the completeness and accuracy of the transfer of financial information to the new general ledger system as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • complete an information technology (IT) environment review by our IT audit specialists to document, evaluate and test the IT controls operating within the new general ledger system • map the closing balances from the 2018/19 general ledger to the opening balance position in the new ledger for 2019/20 to ensure accuracy and completeness of the financial information.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

5. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority’s 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements. In particular, we will consider you have considered the property held under its Emergency Temporary Accommodation (ETA) programme, along with the leases attached to your Investment Property as well. • Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC Local Authority Leasing Briefings.

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We will communicate significant findings on this area as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

6. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

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

7. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

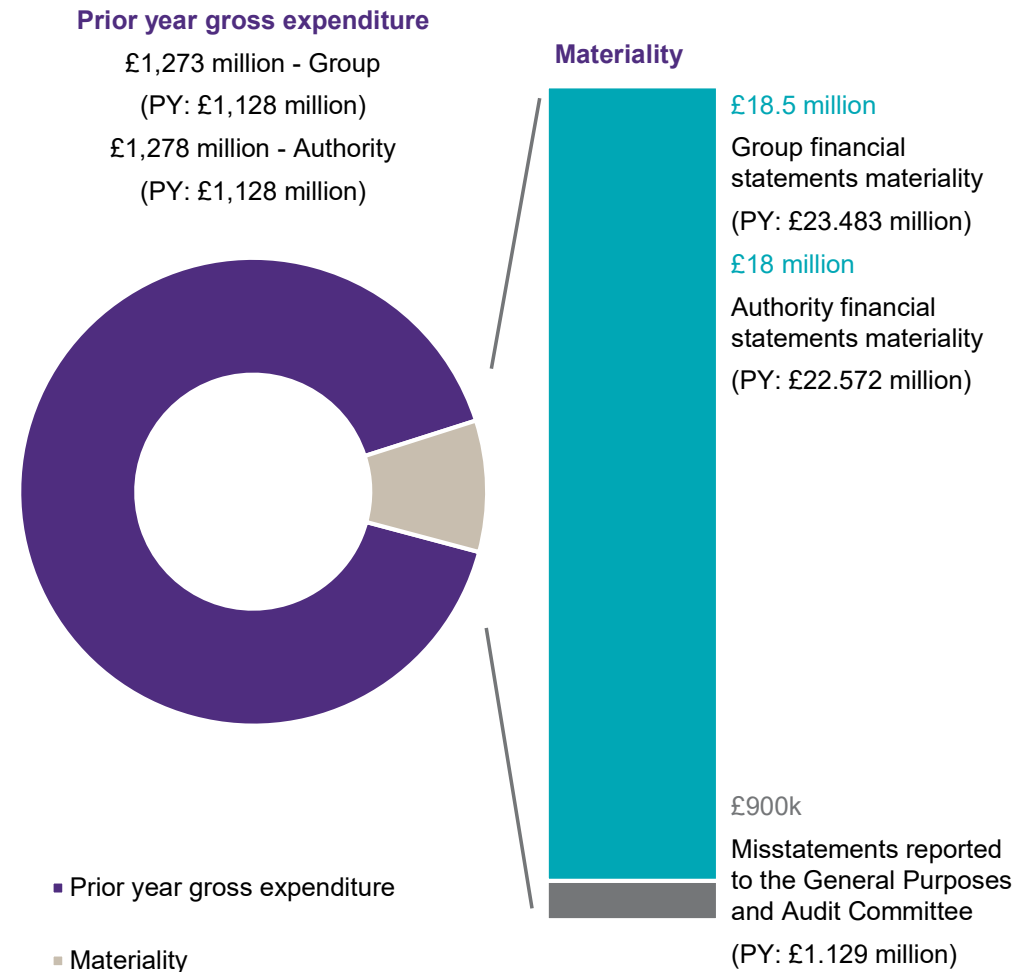
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £18.5 million (£23.483 million) for the group and £18 million (PY £22.572 million) for the Authority, which equates to approximately 1.4% of your prior year gross expenditure for the year. The reduction in materiality compared to the previous year reflects the higher profile of local audit following external reviews such as those led by Sir John Kingman and Sir Tony Redmond. We design our procedures to detect errors in specific accounts at a lower level of precision, which we have determined to be £100,000 for the disclosures relating to Senior Officer Remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the General Purposes and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the General Purposes and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £900k (PY £1.129 million).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the General Purposes and Audit Committee to assist it in fulfilling its governance responsibilities.



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8. Value for Money arrangements

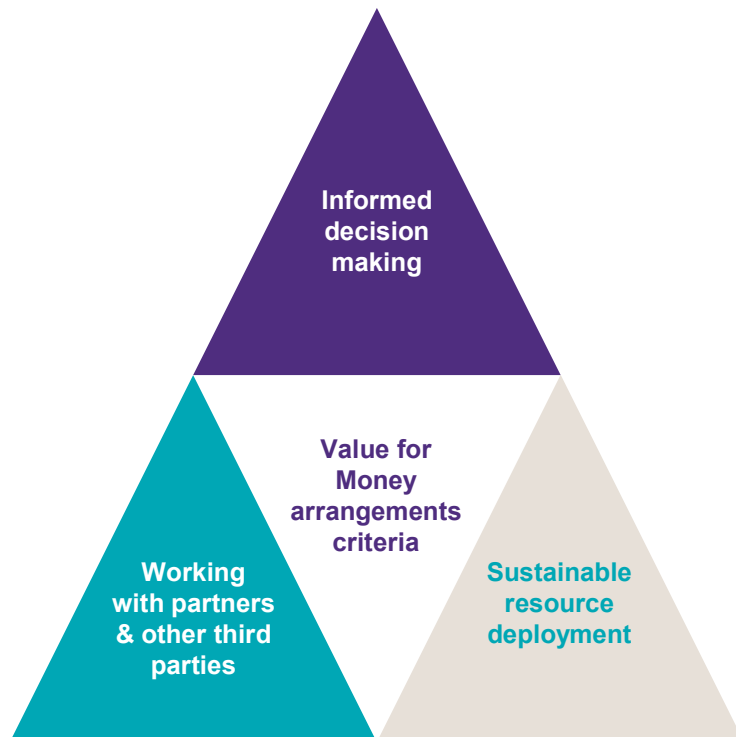
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

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



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Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Ongoing Financial Sustainability

Risk

The Authority is continuing to face pressure on delivering its services within the agreed budget with particular pressures on Adult Social Care and Unaccompanied Asylum Seeker Children as well as increased demand for temporary accommodation and the impact of nil resource to public funds.

These are putting the Authority’s finances under considerable strain. Therefore the Authority needs to manage its resources carefully to ensure a sustainable future for the Borough ahead of the 2020 Funding Settlement. Brexit will also potentially add another unknown to these challenges and the Authority will need to monitor developments close as the end of March approaches.

Planned Response

To gain assurance over this risk we are planning to:

- review the action taken to respond to our 2018/19 recommendations
- review the 2019/20 Outturn, including details of performance against both the Revenue and Capital Budgets
- review progress against the 2020-21 financial plan up to the completion of our audit; and
- obtain an update on the Authority’s Medium Term Financial Strategy, including progress on identifying the savings required in coming years, including discussions with Management on progress to date.

We will also consider the financial impact of any financial issues arising from Brexit. These may include changes in property values, adverse changes to investment and borrowing rates, changes to business rate income, and the impact on the Authority’s workforce.

Value for Money arrangements (continued)

Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

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OFSTED Inspection of Children’s Services

Risk

Following the OFSTED Report in September 2017 in respect of the Authority’s Children Services, which rated the service as ‘Inadequate’, the Authority is continuing to implement its action plan to deal with the issues raised by OFSTED.

We are aware that you were subject to reinspection by OFSTED in January 2020 and that you await the outcome of this inspection to validate the improvements that have been made by the Council since 2017. We will consider the outcome of this reinspection, and any further recommendations raised as part of our assessment of this risk.

Planned Response

To gain assurance over this risk we are planning to:

- review the progress made against the action plan, including resolving any challenges identified during the implementation of the action plan.
- consider the results of the follow up inspection undertaken by OFSTED in January 2020.
- consider the Authority’s performance against its objectives and targets set internally to monitor the overall progress made in this area.



The Governance of the Authority’s Alternative Delivery Models

Risk

The Authority’s Alternative Delivery Vehicle, Brick by Brick Croydon Ltd, is moving into the phase where dividends are expected to be received by the Authority. As the Alternative Delivery Vehicle develops, the Authority needs to ensure the governance processes in place remain appropriate.

Planned Response

To gain assurance over this risk we are planning to:

- review the arrangements in place around Brick by Brick Croydon Ltd and the other existing Vehicles in which the Authority has an interest
- consider the governance arrangements in place for the Authority to gain the intended benefits from its subsidiary

9. Audit logistics & team



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Sarah Ironmonger, Key Audit Partner

Sarah will be the main point of contact for the Chief Executive, the Section 151 Officer and Members. Sarah will share her wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Members and the General Purposes and Audit Committee. Sarah will ensure our audit is tailored specifically to you and is delivered efficiently. Sarah will review all reports and the team’s work.



Matt Dean, Senior Audit Manager

Matt will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Matt will attend General Purposes and Audit Committees, undertake reviews of the team’s work and draft reports ensuring they remain clear, concise and understandable to all. Matt will work with Internal Audit to secure efficiencies and avoid any duplication, providing assurance for your Annual Governance Statement.



Stessy Juganaikloo, In-Charge Accountant

Stessy will lead the onsite team and will be the day to day contact for the audit. Stessy will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Stessy will undertake the more technical aspects of the audit, coach the junior members of the team and review the team’s work.

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

10. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Strategic Director of Finance and Governance and is subject to PSAA agreement.

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	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Authority Audit	£172,860	£152,602	£188,602
Total audit fees (excluding VAT)	£172,860	£152,602	£188,602

Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	133,102	Fee as per PSAA Website for 2019-20
Raising the bar	11,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. As outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile of local audit. This will entail increased scoping and sampling.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	4,000	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	9,500	We have engaged our own audit external expert – Gerald Eve, and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE and Investment Property valuations. We estimate that the cost of the auditors expert will be in the region of £5,000.
The implementation of IFRS16	3,000	Whilst IFRS16 is only formally adopted from the 1 st of April 2020, Local Authorities will be required to make an assessment of the potential impact of the new Standard for this year’s Accounts. Therefore additional work will be needed as part of this year’s audit to ensure the reasonable and appropriateness of this disclosure.
Group Accounts	4,000	As the Authority is potentially increasing its interests in several other bodies, we are required to consider whether Group Accounts are required, along with potentially increased disclosures in this area as well.
Public Interest Entity (PIE)	4,000	As the Authority continues to hold an element of listed debt, this means the Authority remains a Public Interest Entity under the regulation of the Financial Reporting Council. As a result we have to issue an Enhanced Audit Report, which requires additional work over and above a normal Audit Opinion.

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Audit fee variations – Further analysis (continued)

Audit area	£	Rationale for fee variation
New IT System	7,500	For 2019-20 the Authority has moved to a new Cloud-Based Version of Oracle, away from the old Server-Based System. We will need to undertake additional work to make sure that the balances have transferred across correctly between the Systems, and to update our understanding of the underlying IT Controls as well. Due to the complex nature of this change, we will be engaging specialist IT Auditors to help support the main Audit Team with the work in this area.
Welfare Benefit Testing	5,000	As we no longer perform the work on the Authority's Housing Benefit Subsidy Return, this means that we are now performing additional work that previously would have been delivered as part of our work on the Subsidy Return, which would have previously fell outside the Scale Fee. This cost would be removed if we were successful in tendering for the Council's 2019-20 Housing Benefit Work.
Work on Property Transfer	4,000	During last year's audit, we were made aware that the Authority was planning to transfer a number of properties to the Pension Fund in return for a lower level of Contributions to be made to the Pension Fund. Due to the innovate and complex nature of this arrangement, we will need to consider it carefully to ensure it has been accounted for correctly in this year's Accounts.
Work on New Property Arrangements	3,000	The Authority is considering undertaking the 3 rd Stage of its ETA Programme during 2019-20, which will involve securing additional financing to purchase and renovate the houses involved. Due to the complex nature of the financing, we will need to undertake additional work to ensure this has been accounted for correctly. Should the progress of this programme slip into 2020-21, then this fee would be deferred until then as well.
Additional work on the Value for Money Conclusion	TBC	Following on from the Adverse Value for Money Conclusion issued in 2018-19, we will need to undertake additional work in 2019-20 in order to reach our conclusion. At this stage we are unable to confirm the exact level of work needed, and thus we are unable to confirm the level of additional fees that will arise from this work.
Revised scale fee (to be approved by PSAA)	188,602	

11. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Refer to the following page for details of the Non-Audit Services provided to the Council in 2019-20.

11. Independence & non-audit services (continued)

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified:

Service	£	Threats	Safeguards
Non-audit related:			
CFO Insights subscription	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £133,102 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Subscription to the Adult Social Care Index	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £133,102 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the General Purposes and Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

There have been recent changes in respect of Non-Audit Services, as a result of the new Ethical Standard, which was issued by the Financial Reporting Council in December 2019, and which takes effect from 15 March 2020. Historically the level of work we can perform at Public Interest Entities, of which the London Borough of Croydon is one, has been limited, and the new Standard introduces an even narrower list of permitted services which we can offer. As a result, whilst the above subscriptions to CFO Insights and the Adult Social Care Index can be delivered in 2019-20, due to the fact that a contract was already in place at the date of implementation of the new Ethical Standard, these contracts will have to end on 14 March 2020 in line with the new Standard. The Firm is currently investigating potential ways in which these services can be offered after this date, and we will provide an update once this process is complete.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

Appendices

A. Audit Quality – national context

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.

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DRAFT

External Audit Plan

Year ending 31 March 2020

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

London Borough of Croydon Pension Fund

9 March 2020

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Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the London Borough of Croydon Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the London Borough of Croydon Pension Fund. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance, who are the General Purposes and Audit Committee.

The audit of the financial statements does not relieve management or the General Purposes and Audit Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Fraud in revenue recognition – This risk has been rebutted for the Pension Fund as documented on page 5
- Management override of controls
- Valuation of Level 3 Investments
- Transfer of Property Assets from the Council to the Pension Fund

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined materiality at the planning stage of our audit to be £12.582 million (PY £11.394 million) for the Pension Fund, which equates to approximately 1% of your prior year net assets for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £629k (PY £569k).

Audit logistics

Our interim visit will take place in February and March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £25,000 (PY: £16,170) for the Pension Fund, subject to the Pension Fund meeting our requirements set out on page 10.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

2. Key matters impacting our audit

Factors

The wider picture and political uncertainty

- Local Government funding continues to be stretched with increasing cost pressures.
- The market value of LGPS funds at end of March 2019 was £287.2 billion (an increase of £16.3 billion or 6.0%) but for the first time, the LGPS in England & Wales is now cashflow negative, with benefit payments rising to £10.4bn while contributions fell to £9.3bn. There are now over 18,000 employers. Local authorities represent around 18.3% of these but have 74% of the members.
- The UK is set to leave the EU on 31 January 2020. The economic impact of this remains uncertain as is the wider global economic picture. The Pension Fund will need to ensure that it's investment strategy has considered potential outcomes.

Governance

- The Scheme Advisory Board (SAB) has published the *Good Governance – Phase II Report*. Proposals include having a single named officer responsible for the delivery of LGPS related activity for a fund, an enhanced annual governance compliance statement and establishing a set of key performance indicators.
- SAB is also consulting on Responsible Investment guidance to assist and help investment decision makers.
- The Pensions Regulator (tPR) continues to apply pressure on pension schemes to improve the quality of scheme member data. The 2019 valuation process will likely have thrown up some data issues (large or small) that need addressing.

Financial Reporting and Audit – raising the bar

- The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.
- Our work in 2018/19 has highlighted areas where financial reporting, in particular Level 3 and Financial Instrument investment valuations and disclosures, needs to be improved, with a corresponding increase in audit procedures.

Our response

- We will consider whether your financial position leads to material uncertainty about the going concern of the Pension Fund and will review related disclosures in the financial statements.

- We will consider the Pension Fund's responses to the SAB initiatives and whether they impact upon our risk assessment.
- We will consider the impact of any data issues raised as part of the 2019 on the risks identified as part of our 2019/20 audit.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and financial reporting. Our proposed work and fee, as set further in our Audit Plan, and is subject to PSAA agreement.

3. Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the London Borough of Croydon, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for the London Borough of Croydon Pension Fund.</p>	
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

3. Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£438 million) and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2020. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently request year-end confirmations from investment managers and/or custodian(s) • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2020 with reference to known movements in the intervening period and • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert • test revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register • where available review investment manager service auditor report on design effectiveness of internal controls.
Transfer of Properties from the Council to the Pension Fund	<p>During the course of the year, the Council will have transferred senior head leases for 346 houses into the Pension Fund. These lease arrangements are in effect directing rental streams for a further 40-year period into the Council's Pension Fund, with the leases expiring between 2057 and 2059. As a result of this arrangement, the Council is seeking a reduced contribution rate which would be set by the Council's Actuary, Hymans Robertson LLP.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the legal advice obtained by the Council in respect of this transaction • consider the actuarial impact of the transfer on the Council's Contribution Rates, and the potential impact of this transfer on the Council's Defined Benefit Net Liability • consider the advice obtained by the Council and the Pension Fund over the risks attached to the transaction, given how far in the future the proposed transfer of properties is scheduled to be. • review the disclosures around the transfer to ensure they correctly reflect the transaction in both the main Council and Pension Fund Accounts.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

4. Other matters

Other work

The Pension Fund is administered by the London Borough of Croydon (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

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

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Pension Fund's ability to continue as a going concern" (ISA (UK) 570).

Currently, the accounts of the Pension Fund are expected to be prepared on a going concern basis. We will review management's assessment of the going concern assumption and any material uncertainties, and evaluate the disclosures in the financial statements.

5. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

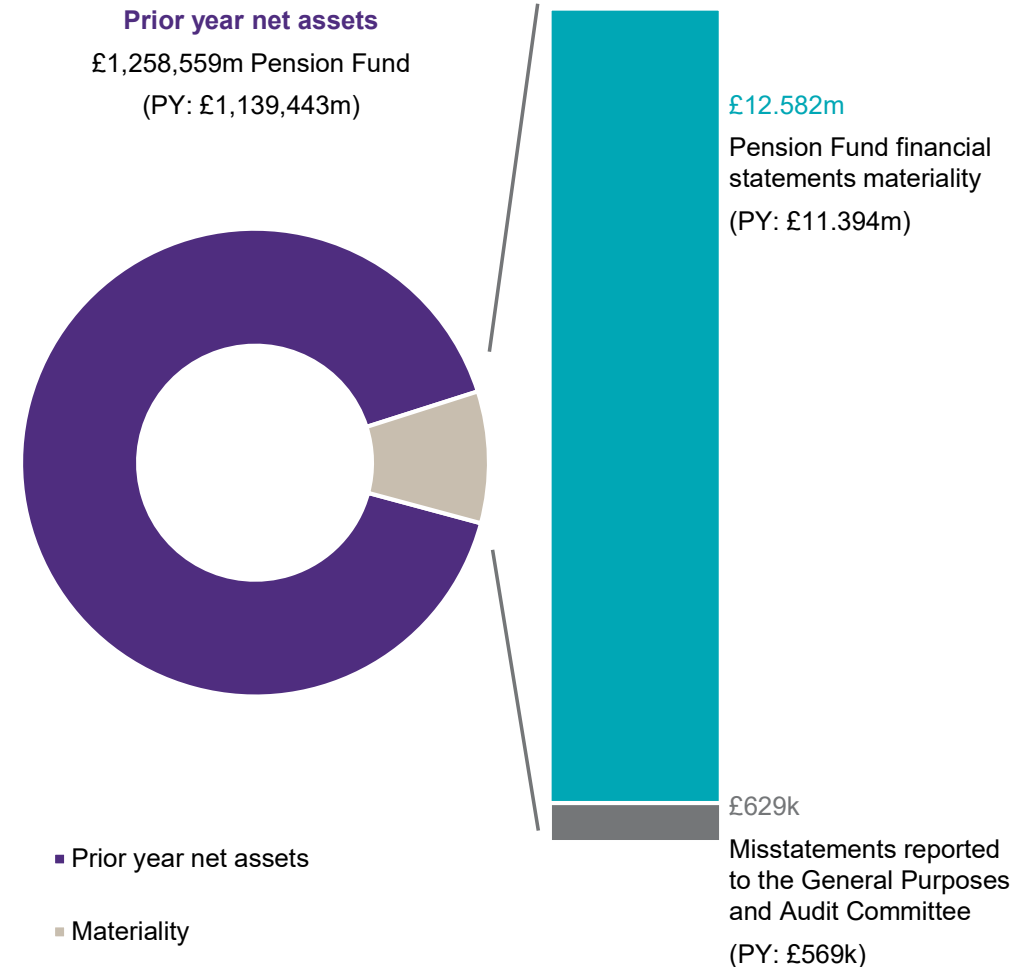
We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £12.582 million (PY £11.394 million) for the Pension Fund, which equates to approximately 1% of your prior year net assets for the year.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the General Purposes and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £629k (PY £569k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the General Purposes and Audit Committee to assist it in fulfilling its governance responsibilities.



6. Audit logistics & team



Sarah Ironmonger, Key Audit Partner

Sarah will be the main point of contact for the Chief Executive, the Section 151 Officer and Members. Sarah will share her wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Members and the General Purposes and Audit Committee. Sarah will ensure our audit is tailored specifically to you and is delivered efficiently. Sarah will review all reports and the team's work.

Matt Dean, Senior Audit Manager

Matt will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Matt will attend General Purposes and Audit Committees, undertake reviews of the team's work and draft reports ensuring they remain clear, concise and understandable to all. Matt will work with Internal Audit to secure efficiencies and avoid any duplication with work that has already been performed.

Stessy Juganaikloo, Audit Incharge

Stessy will lead the onsite team and will be the day to day contact for the audit. Stessy will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Stessy will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

7. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government pension fund financial reporting, in particular, scrutiny of the valuation of hard to value investments needs to be improved. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee at the planning stage, as set out below and with further analysis overleaf, and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Pension Fund Audit	£21,000	£19,170	£25,000
Total audit fees (excluding VAT)	£21,000	£19,170	£25,000

Assumptions:

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees.

Audit area	£	Rationale for fee variation
Scale fee	16,170	Fee as per PSAA Website for 2019-20
Raising the bar	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Work of experts – Level 3	6,330	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.
Revised scale fee (to be approved by PSAA)	25,000	

8. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No other services were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member firms will be included in our Audit Findings report at the conclusion of the audit.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

Appendices

A. Audit Quality – national context

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets Pension Fund of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local Pension Fund financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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General Purposes and Audit Committee
 London Borough of Croydon
 Bernard Weatherill House
 8 Mint Walk
 Croydon
 CR0 1EA

21 February 2020

Dear Members

Results of grants work 2018/19

We were appointed to review specified claims and returns for the Council. This letter reports the findings from this work.

Housing Benefit Subsidy

In 2018/19 the prescribed tests for our Housing Benefits work were set out in the Housing Benefit (Subsidy) Assurance Process (HBAP) module issued by the Department for Work and Pensions (DWP).

The 2018/19 Housing Benefits return was subject to a qualification letter. Detailed findings, including the extrapolation of errors identified, were reported in our qualification letter to DWP dated 29 November 2019. The table below details our findings.

Claim	Value of claim	Amended	Qualified
Housing Benefit Subsidy	£171,733,236	No	Yes

Our sample testing is split between initial testing and additional testing. Initial testing tests a random sample of 20 cases from each headline cell on the subsidy claim form for each of the benefit types (non-HRA, rent rebates and rent allowances). Where errors are identified, either as part of the initial testing or Cumulative Assurance Knowledge and Experience (CAKE) – i.e. prior year issues, a further 40 cases are tested for the specific error identified. Where it is not possible to quantify the error the matter is reported as an extrapolated error in a letter to DWP.

Qualification issues

We did not identify any errors in our 2018/19 initial testing.

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The HBAP approach instructs that additional testing must be completed where CAKE identified errors in the prior year. This testing was completed by the Council, testing 40 cases looking at specific issues which arose in the prior year. We then carried out our own re-performance of a sample of these cases. This testing identified errors in 2018/19 relating to:

- HRA rent rebates – local authority error: 31 cases where the classification of overpayments was overstated. The value of the overstated overpayments identified was £2,237. Based on these errors we reported an extrapolated error of £2,616. We note that all of these errors were as a result of a single work stream.
- HRA rent rebates – eligible overpayments: 1 case where the classification of overpayments was overstated. The value of the overstated overpayments identified was £408. Based on this error we reported an extrapolated error of £4,127.
- Rent allowances - 1 case where the earned income figure used in the benefit entitlement calculation of rent allowances was incorrect. The value of the overpayment identified was £279. Based on this error we reported an extrapolated error of £21,446.

Fees

This indicative fees, and the final fees charged for 2018/19, are detailed in the table below:

Claim or return	2018/19 indicative fee	2018/19 final fee
Housing Benefit Subsidy	£11,040	£13,340

We would like to express my thanks for the assistance of the Council's team during the grants work.

Yours faithfully

Lucy Nutley
 Director, Mazars LLP

This letter is prepared for the sole use of London Borough of Croydon and we take no responsibility to any member or officer in their individual capacity or to any third party.

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REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 17 March 2020
SUBJECT:	Internal Audit Charter, Strategy and Plan
LEAD OFFICER:	Head of Internal Audit
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>Internal Audit’s work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council’s ability to deliver services helping the Council achieve all its visions and aims. The external auditor may rely on the work from the internal audit programme when forming opinions and assessments of the Council’s performance.</p>	
FINANCIAL IMPACT	
<p>The Internal Audit contract for 2020/21 is a fixed price contract of £390,000 and appropriate provision has been made within the budget for 2020/21.</p>	

- | | |
|-----------|--|
| 1. | RECOMMENDATIONS |
| 1.1 | The General Purposes & Audit Committee is asked to approve the Internal Audit Charter (Appendix 1), Strategy (Appendix 2) and the plan of audit work for 2020/21 (Appendix 3). |

2. EXECUTIVE SUMMARY

- 2.1 The current UK Public Sector Internal Audit Standards came into effect on 1 April 2013. To help with the Council's compliance with these standards the Council's internal audit charter (appendix 1) and strategy (appendix 2) are reviewed annually and are now attached for approval. These will be reviewed and brought back for approval each year to ensure that they remain up to date and relevant. Also attached is the work plan for internal audit for 2020/21 (appendix 3).

3. DETAIL

- 3.1 In England, specific requirements are detailed in the Accounts and Audit Regulations 2015, in that a relevant body must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."
- 3.2 The UK Public Sector Internal Audit Standards which apply to local and central government, the NHS and the three devolved governments came into force from 1st April 2013 and were further revised in 2016 and 2017. Compliance with these satisfies the requirements of the Accounts and Audit Regulations.
- 3.3 To help with the Council's compliance with these standards the Council's internal audit charter (appendix 1) and strategy (appendix 2) have been reviewed and are attached for approval. These will be reviewed and brought back for approval each year to ensure that they remain up to date and relevant. Also attached for approval is the work plan for internal audit for 2020/21 (appendix 3).
- 3.4 The work plan for 2020/21 follows a similar format to previous years and its make-up is as set out in the audit strategy. It aims to maximise the value from the internal audit resource available and to provide sufficient evidence to enable the Head of Internal Audit to give an opinion on the effectiveness of its risk management, control and governance processes.
- 3.5 The Council's Executive Leadership Team has reviewed and supports the work plan.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 4.1 The fixed price for the Internal Audit Contract is £390,000 for 2020/21 and there is adequate provision within the budget. There are no additional financial considerations relating to this report
- 4.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk register processes.

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

5. LEGAL CONSIDERATIONS

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

(Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance and Deputy Monitoring Officer)

6. HUMAN RESOURCES IMPACT

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

(Approved by: Jennifer Sankar, Head HR Place and Interim Head HR Resources for and on behalf of Sue Moorman, HR Director)

7. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

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

CONTACT OFFICER: Simon Maddocks, Head of Internal Audit

APPENDICES: Internal Audit Charter (Appendix 1)
Internal Audit Strategy (Appendix 2)
Internal Audit Plan 2020/21 (Appendix 3)

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Internal Audit Charter

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

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

Purpose

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

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

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

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

Mission and Core Principles

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

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

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

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

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

Authority

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

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

Responsibility

The Council's Head of Internal Audit², is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the General Purposes & Audit Committee³, on the adequacy and the effectiveness of the internal control system for the whole Council. In order to achieve this, the Internal Audit function has the following objectives:

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

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

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

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

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

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

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

Reporting

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

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

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

Independence

The Head of Internal Audit has free and unfettered access to the following:

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

The Head of Internal Audit is line managed by the Director of Finance, Investment & Risk. His independence is further safeguarded by ensuring that his annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Executive Director of Resources and the Chair of the GPAC contribute to, and/or review the appraisal of the Head of Internal Audit.

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

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

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

The Head of Internal Audit has no additional responsibilities in addition to internal audit thereby ensuring the absence of any conflicts of interest.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards (2017);
- The CIPFA Local Government Application Note (LGAN);
- The codes of ethics for any professional body that internal auditors are members of;
- All Council Policies and Procedures
- All relevant legislation

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

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Internal Audit is required to hold a professional qualification (CCAB or IIA) and be suitably experienced. The current Head of Internal Audit is a Chartered Fellow of the Institute of Internal Auditors (CFIIA) and has a Master of Science degree in Audit (MSc). He has more than 36 years internal audit experience.

The Head of Internal Audit will ensure that the internal audit service has access to an appropriate range of knowledge, skills, personal attributes, qualifications, experience and competencies required to perform and deliver its responsibilities.

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Internal Audit Strategy

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

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

Internal Audit Objectives

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

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

Internal Audit's Remit

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

Under the direction of a suitably qualified and experienced Head of Internal Audit² the service will:

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

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

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

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

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

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

Service Delivery

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

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

Internal Audit Planning

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

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

The Internal Audit Plan 2020-21 is composed of the following:

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

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

Internal Audit planning is already significantly based on the Council's risk register, resulting in around 50% of the audit plan being based upon risks identified by management. Internal audit will continue to have a significant role in risk management with audit planning being focused by risk and the results of audit work feeding back into the risk management process to form a 'virtuous circle'.

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

The internal audit plan for 2020-21 covers a period of twelve months. However, Croydon Council and local government as a whole is being subjected to continuous change and financial pressures that may result in changed priorities during the course of the year. Where this happens the Head of Internal Audit may need to flex the internal audit plan; any proposed significant changes to the plan will be reported to the senior management and the General Purposes & Audit Committee.

Follow-up

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

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

Reporting

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

2020/21 Annual Audit Plan	Dept	Audit Days Budget 2018/19
KEY FINANCIAL SYSTEMS REVIEWS		
Business Rates	Resources	10
Adult and Children's Social Care Payment Processes	Resources	20
Council Tax	Resources	5
Creditors	Resources	10
Debtors	Resources	10
Housing Benefits	Resources	10
Housing Rents & Accounting	Health, Wellbeing & Adults	10
Housing Repairs - Preventative & Reactive	Place	15
Main Accounting System	Resources	5
Parking Enforcement & Tickets (Cash Collection)	Place	10
Payments to Schools (Include licensed deficit process)	Resources	10
Payroll	Resources	10
Pensions	Resources	10
Treasury Management	Resources	10
Follow-up of audits		10
Total Key Financials Audits		155
CORPORATE RISK AUDITS		
Ad Hoc Payments	Corporate	15
Organisational Resilience	Corporate	10
Overtime Payments	Corporate	10
Service Based Budget Monitoring: Across the Organisation	Corporate	20
Staff Expenses - Compliance checks	Corporate	15
Staff Parking and Travel To Work	Corporate	20
Follow up of audits		6
Total Corporate Risk Audits		96

DEPARTMENTAL RISK AUDITS		
Schools PFI Council Funding	Children, Families and Education	10
Various Social Care Audits to be determined following Ofsted	Children, Families and Education	40
"Ordinary Residents"	Health, Wellbeing & Adults	10
Adults Social Care Placements (Dynamic Purchasing System)	Health, Wellbeing & Adults	10
Blue Badges	Health, Wellbeing & Adults	10
Care Units Insourced	Health, Wellbeing & Adults	10
Clinical Governance	Health, Wellbeing & Adults	10
Continuing Healthcare	Health, Wellbeing & Adults	10
Council Owned Temporary Accommodation: Concierge and	Health, Wellbeing & Adults	10
Disabled Facilities Grants	Health, Wellbeing & Adults	10
Homelessness: Voids	Health, Wellbeing & Adults	10
Out of Borough Adult Social Care Placements	Health, Wellbeing & Adults	10
Public Health: Contracts Management	Health, Wellbeing & Adults	15
Temporary Accommodation: Standards in Private Sector	Health, Wellbeing & Adults	15
Transforming Care	Health, Wellbeing & Adults	10
Placement Deposits	Health, Wellbeing & Adults / Children, Families and Education	15
Localities: Performance Data	Health, Wellbeing & Adults	10
Apprenticeships	Place	10
Corporate Estate: Building Compliance	Place	15
Croydon Affordable Homes: Contract Management	Place	10
Croydon Works	Place	10
Emissions Based Parking Charges	Place	10
Health and Safety: Job Risk Assessments	Place	10
Housing Need and Supply: Roles and Responsibilities	Place	10
Selective Licensing	Place	10
SEN Transport - Safeguarding	Place	10
SLWP - Payments and Recharging Processes	Place	10

Walking and Cycling Schemes	Place	10
Agency Staff - Internal Recharges	Resources	10
CDS Contract Management	Resources	15
CDS Governance/Structure/Engagement	Resources	10
Establishment Control	Resources	10
Loans and Investments (Non Treasury)	Resources	10
Long Term Sick and Maternity Sick leave	Resources	10
New Supplier Set up	Resources	10
Right To Work checks	Resources	10
Follow up of audits		44
Total Departmental Risk Register Audits		459
COMPUTER AUDITS		
Security Management	Resources	20
Operating Systems	Resources	20
Software Licensing (FAST)	Resources	10
Application Support	Resources	10
Cyber	Resources	20
Follow up of audits		10
Total Computer Audits		90
CONTRACT AUDITS		
Various Contract Audits	TBC	20
CCTV Procurement	Resources	10
Telephony Procurement	Resources	10
Capital programme - Regeneration	Place	10
Emergency and Temporary Accommodation (Phase 3) (incl	Resources	20
Buying Team	Resources	10
Follow-up of audits		10
Total Contract Audits		90

SCHOOLS AUDITS		
Primary & Nursery Schools		
Tunstall Nursery School	Children, Families and Education	5.5
Thornton Health Early Years Centre	Children, Families and Education	5.5
Forestdale Primary School	Children, Families and Education	5.5
Greenvale Primary School	Children, Families and Education	5.5
Purley Oaks Primary School	Children, Families and Education	5.5

Smitham Primary School	Children, Families and Education	5.5
Winterbourne Nursey and Infants School	Children, Families and Education	5.5
Secondary Schools		
Archbishop Tennysons High School	Children, Families and Education	7.5
Thomas Moore High School	Children, Families and Education	7.5
PRU's & Special Schools		
St Giles	Children, Families and Education	5.5
St Nicholas	Children, Families and Education	5.5
Red Gates	Children, Families and Education	5.5
Follow-up of Schools audits		14
Total Schools Audits		84
CONTINGENCY		
Contingency for fraud including NFI and other ad hoc audits		25
Contingency for Grant Claims		15
Total Contingency		40
ADMIN AND MANAGEMENT		
Total Admin and Management		40
GRAND TOTAL BUDGET		1054

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Agenda Item 8

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 17 March 2020
SUBJECT:	Internal Audit Update Report April 2019 to January 2020
LEAD OFFICER:	Simon Maddocks, Head of Internal Audit
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT: Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services which, in turn helps the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.	
FINANCIAL IMPACT The Internal Audit contract for 2019/20 is a fixed price contract of £383k and appropriate provision has been made within the budget for 2019/20.	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the Internal Audit Report for April 2019 to January 2020 (Appendix 1).

2. EXECUTIVE SUMMARY

- 2.1 This report details the work completed by Internal Audit so far during 2019/20 and the progress made in implementing agreed actions from audits completed in previous years.

3. DETAIL

- 3.1 The Internal Audit report (Appendix 1) includes the following:
- a list of all audits completed so far in 2019/20 and audits relating to 2018/19, but finalised after the annual report, and
 - lists of follow up audits completed and the percentage of priority one, and other agreed actions implemented.
- 3.2 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the Full Council through the General Purposes & Audit Committee and the Chief Financial Officer (also known as the Section 151 Officer), who is currently the Director of Finance, Investment & Risk. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.
- 3.3 Based on the reports finalised and issued since 1st April 2019, an indicative overall **Limited Assurance** level is given as **50%** of individual reports received limited or no assurance. This shows no improvement from the first time that an indication of an overall Limited Assurance was first given at the last meeting of this committee. Members should be concerned that this is the case.

4. FOLLOW-UP REVIEWS

- 4.1 When Internal Audit identifies risks, actions to mitigate them are agreed with service managers. The Council then needs to ensure that these actions are implemented. The Council's targets for agreed actions to be implemented are 80% for all priority 2 and 3 recommendations and 90% for priority 1 recommendations. The performance in relation to the targets set for 2015/20 audits are shown in Table 1.

Table 1: Implementation of Agreed Actions

	Target	2015/16	2016/17	2017/18	2018/19	2019/20
Implementation of priority one agreed actions at follow-up	90%	100%	93%	96%	81%	100%
Implementation of all agreed actions at follow-up	80%	94%	91%	90%	81%	93%

5. PROGRESS AGAINST THE AUDIT PLAN

- 5.1 By 31 January **68%** (78% last year) of the 2019/20 planned audit days had been delivered and **42%** (47% last year) of the draft audit reports due for the

year had been issued. The contractor has given assurances that the necessary resources are available to deliver the internal audit plan in-year as usual.

6. PUBLICATION OF INTERNAL AUDIT REPORTS

- 6.1 Following a decision at the June 2015 meeting of this committee, all finalised internal audit reports are published on the Council's public internet site.

7. CONSULTATION

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

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 8.1 The fixed price for the Internal Audit Contract is £383k for 2019/20 and there is adequate provision within the budget. There are no additional financial considerations relating to this report
- 8.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes.

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

9. LEGAL CONSIDERATIONS

- 9.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Council should take steps to improve the Assurance level within the Council.
- 9.2 Information provided in this report is necessary to demonstrate the Council's compliance with requirements imposed by Regulation 5 of the Local Government Accounts and Audit (England) Regulations 2015. The Council is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance and Deputy Monitoring Officer)

10. HUMAN RESOURCES IMPACT

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

(Approved by: Jennifer Sankar, Head HR Place and Interim Head HR Resources for and on behalf of Sue Moorman, HR Director)

**11. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER
REDUCTION IMPACTS**

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

12. DATA PROTECTION IMPLICATIONS

**12.1. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING
OF 'PERSONAL DATA'?**

No.

12.2. The Director of Finance, Investment & Risk comments that there are no immediate data protection issues arising from this report.

(Approved by: Lisa Taylor, Director of Finance, Investment & Risk)

CONTACT OFFICER: Simon Maddocks, Head of Internal Audit

APPENDICES: Internal Audit report for the period April 2019 to January 2020 (appendix 1)

London Borough of Croydon

Internal Audit Report for the period

1 April 2019 to 31 January 2020

Confidentiality and Disclosure Clause

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

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP 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 in Appendix 7 of this report for further information about responsibilities, limitations and confidentiality.

Internal Audit activity

1. During the first ten months of the 2019/20 financial year the following work has been delivered:

- 66% of the 2019/20 planned audit days have been delivered
- 74 planned audits (excluding ad hoc and fraud work) commenced, either by setting up the files, attending scope meetings or by performing the audits. This was made up of:-
 - 57 system audits commenced and/or were completed;
 - 14 school audits commenced and/or were completed; and,
 - 3 computer audits commenced and/or were completed.

In addition:

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

Internal Audit Performance

2. To help ensure that the internal audit plan supported the Risk Management Framework and therefore the Council Assurance Framework, the 2019/20 internal audit plan was substantially informed by the risk registers. The 2019/20 internal audit plan was presented to the General Purposes and Audit Committee on 4 April 2019.
3. Work on the 2019/20 audit plan commenced in April 2019 and delivery is now well underway.
4. Table 1 details the performance for the 2019/20 audit plan against the Council's targets. At 30 November 2019 Internal Audit had delivered 66% of the planned audit days and 39% of the planned draft reports. Although the planned drafts are behind target, there are a number of audits where the reports are close to being issued. Work has either commenced, is in progress or at reporting stage for over 81% of the audit plan.

Table 1: Performance against targets

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
% of planned 2019/20 audit days delivered	100%	80%	68%	▼
Number of 2019/20 planned audit days delivered	1050	840	717	▼
% of 2019/20 planned draft reports issued	100%	60%	42%	▼
Number of 2019/20 planned draft reports issued	90	54	38	▼
% of draft reports issued within 2 weeks of exit meeting	85%	85%	86%	▲
% of qualified staff engaged on audits	40%	40%	38%	▼

Audit Assurance

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

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

6. Table 2 lists the audits for which final reports were issued from 1 April 2019 to 31 January 2020. Details of the key issues arising from these reports are shown in Appendix 1.

Table 3: Final audit reports issued from 1 April 2019 to 31 January 2020:

Audit Title	Assurance Level	Planned Year
Non-school audits		
Payments to In-house Foster Carers	Limited	2018/19
Health and Safety in Schools	Limited	2018/19
Temporary Employment	Limited	2018/19
PMI General Maintenance	Limited	2018/19
Parking Enforcement and Tickets	Substantial	2018/19
Mortuary	Substantial	2018/19
Private Sector Landlords – Fire Safety	Substantial	2018/19
Oracle Fusion Cloud Programme	Substantial	2018/19
Expenses and Overtime Payments to Staff	No	2019/20
Alternative School Provisioning	Limited	2019/20
Adult Social Care - Waiting Lists	Limited	2019/20
Care Market Failure	Limited	2019/20
Food Safety – Data Quality	Limited	2019/20
Community Equipment Service (Wheelchair service)	Limited	2019/20
S17 Expenditure	Substantial	2019/20
Highways Contract Management	Substantial	2019/20
Risk Management	Substantial	2019/20
Uniform Application	Substantial	2019/20
Pay & Display Maintenance and Income Collection	Substantial	2019/20

Audit Title	Assurance Level	Planned Year
Northgate iWorld Application	Substantial	2019/20
Treasury Management	Full	2019/20
School audits		
Winterbourne Nursery and Infants	No	2019/20
Beulah Juniors	Limited	2019/20
Kenley Primary	Limited	2019/20
Norbury Manor Primary School	Limited	2019/20
All Saints C of E Primary School	Substantial	2019/20
Elmwood Infant School	Substantial	2019/20
Heavers Farm School	Substantial	2019/20

Follow-up audits – effective implementation of agreed actions

7. During 2019/20 in response to the Council's follow-up requirements, Internal Audit has continued following-up the status of the implementation of the 2015/16, 2016/17, 2017/18 and 2018/19 and 2019/20 follow up audits.
8. Follow-up audits are undertaken to ensure that all the recommendations/issues raised have been successfully implemented according to the action plans agreed with the service managers. The Council's target for agreed actions implemented at the time of the follow-up audit is 80% for all priority 2 & 3 recommendations/issues and 90% for priority 1 recommendations/issues.

Performance Objective	Target	Performance (to date)				
		2015/16	2016/17	2017/18	2018/19	2019/20
Percentage of priority one agreed actions implemented at the time of the follow up audit	90%	100%	93%	96%	81%	100%
Percentage of all agreed actions implemented at the time of the follow up audit	80%	94%	91%	90%	81%	93%

The results of those for 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20 audits that have been followed up are included in Appendixes 2, 3, 4, 5 and 6 respectively.

9. Appendix 2 shows the incomplete follow-up audit for 2015/16 audits and the number of actions agreed and implemented. 94% of the total actions were found to have been implemented and 100% of the priority 1 actions which have been followed up have been implemented.
10. Appendix 3 shows the 2016/17 follow-up audits undertaken to date and the number of actions agreed and implemented. 91% of the total actions were found to have been implemented and 93% of the priority 1 actions which have been followed up have been implemented. The outstanding priority 1 actions are detailed below:

Audit Title	Executive Director Responsible	Assurance Level	Priority 1 Issues/Actions
Contract Monitoring and Management – Streets Division	Shifa Mustafa	Limited	Priority 1 recommendations were raised that: <ul style="list-style-type: none"> Staff should endeavour to locate the original full definitive signed contract with City Suburban Tree Surgeons.

Audit Title	Executive Director Responsible	Assurance Level	Priority 1 Issues/Actions
			<p>Where the agreement cannot be located, consideration should be given to requesting this from the contractor.</p> <ul style="list-style-type: none"> Inspection, rectification and default process across all four contracts should be reviewed by management. In particular, staff should determine and document under which circumstances rectification notices will be raised, and to what extent the raising of rectification notices is discretionary. <p>A master record of all inspections to be undertaken should be maintained. The record should include information on: (a) inspections undertaken; (b) results of inspections; (c) the source of the inspection (i.e. complaint or service schedule); (d) rectification notices raised, and (e) default notices raised.</p> <p>Documentation relating to inspections, rectifications and defaults should be held in a location accessible by contract management staff.</p> <ul style="list-style-type: none"> Key Performance Indicators (KPI) schedules should be located and/or requested from the contractor and used as a basis for contract performance monitoring. <p>Staff should be reminded of the need to document discussion and conclusion relating to performance against KPIs.</p> <p>Performance monitoring meetings should occur on a regular basis and be minuted.</p> <p>Performance monitoring meeting minutes should be stored in a location accessible by contract management staff.</p> <p>Regular reports regarding contract management performance should be made internally to senior management.</p> <p><u>Response January 2020:</u> An initial response was provided detailing that:</p> <ul style="list-style-type: none"> The with City Suburban Tree Surgeons contract could not be located. An inspection and re-rectification regime was in place, but did not provide assurance the the specific issues highlighted by the audit had been remedied. That Key Performance Indicators (KPIs) and performance monitoring were in place, but did not provide assurance the the specific issues highlighted by the audit had been remedied.

11. Appendix 4 shows the 2017/18 follow-up audits undertaken to date and the number of actions agreed and implemented. 90% of the total actions were found to have been implemented and 96% of the priority 1 actions which have been followed up have been implemented. The outstanding priority 1 actions/issues are detailed below:

Audit Title	Executive Director Responsible	Assurance Level	Summary of priority 1 issues/actions
Abandoned Vehicles	Shifa Mustafa	No	<p>A priority 1 issue was identified 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><u>Response provided January 2020</u> Neighbourhood Operation Manager (Interim) and the Enforcement Manager Parking services have provided all of our contractual requirements to the buying team and as far as I'm aware the procurement process should be underway or should be about to start to invite businesses to apply to become the approved contractor for the council.</p>
Brokerage	Jaqueline Harris-Baker	Limited	<p>A priority 1 issue was identified as it was confirmed that providers outside of the signed Integrated Framework Agreement (IFA) were being used regularly for care provision of clients.</p> <p><u>Response received November 2019:</u> As stated on the 13 of August the Dynamic Purchasing system 1, which will cover the CQC registered and unregistered domiciliary care providers, is set for full implementation in 2020. This will provide all suppliers the opportunity to become a contracted provider. Although we are on track to produce the OJEU notice in December</p>

Audit Title	Executive Director Responsible	Assurance Level	Summary of priority 1 issues/actions
			<p>of this year our latest projection has all providers being contracted by the end of February 2020.</p> <p>Audit comment:</p> <p>Public Notice of a Key Decision, 17 January 2020, relating to the Dynamic Purchasing System (DPS) provides further assurance that this is in progress.</p>

12. Appendix 5 shows the 2018/19 follow-up audits undertaken to date and the number of actions agreed and implemented. 81% of the total actions were found to have been implemented and 81% of the priority 1 actions which have been followed up have been implemented. The outstanding priority 1 actions/issues are detailed below:

Audit Title	Executive Director Responsible	Assurance Level	Summary of priority 1 issues/actions
Payments Against Orders	Robert Henderson	Limited	<p>A priority 1 issue was identified as means tests were not on file for six out of the sample of 10 adoption allowances tested.</p> <p><u>Response provided October 2019:</u></p> <p>At the time these were done – they were from the teams and not CPH so we could not produce evidence. One was ours 2016 – human error.</p> <p>Moving forward all on CRS and SharePoint.</p>
Health and Safety in Schools	Robert Henderson	Limited	<p>A priority 1 issue was identified as procedure manuals were not in existence for the Education and Youth Engagement team.</p> <p><u>Response provided December 2019:</u></p> <p>A draft procedure for monitoring health and safety compliance in community school is currently being drafted and will be circulated to Homes and Schools Improvement Team and Facilities Management for input. A flow chart has been produced and will be circulated for comments / sign off.</p> <p>A priority 1 issue was identified as certain premises health and safety legislation is not checked for compliance, and no evidence was available to show that recommendations raised from the inspections / certificates were followed up.</p> <p><u>Response provided December 2019:</u></p> <p>Work has started on reviewing and updating the Croydon School Property Handbook.</p> <p>The Handbook will also include other necessary information e.g. the need for schools to commission competent contractor to carry out work and the necessary certificates / warranties received on completion of work.</p> <p>The draft Handbook will be circulated to HSI Delivery colleagues and the Health and Safety colleagues ahead of meeting to discuss/agree its content.</p> <p>The plan is for the final draft of the handbook to be signed off and circulated to schools in the new year.</p>
SEN to include Ombudsman upheld complaints	Robert Henderson	Limited	<p>A priority 1 issue was identified as, during the last academic year, the percentage of Education and Health Care Plans (EHCPs) completed within the statutory 20 week period was 78%.</p> <p><u>Response provided December 2019:</u></p> <p>From January 2019 to October 2019 the percentage of plans that met the 20 week deadline was 75% (191 out of 256 were within timescales)</p> <p>Coordinators continue to monitor the 16 week timescale for issuing the draft EHC Plan but as yet we do not have a formal report to show it (we were waiting for the new database).</p>
Voluntary Sector Commissioning Adult Social Care	Jacqueline Harris Baker	No	<p>A priority 1 issue was identified as copies of agreements or contracts were not available for the partnership/joint funding with the CCG / NHS Croydon or for most of the services directly paid for by the Council from MIND.</p> <p><u>Response provided January 2020:</u></p>

Audit Title	Executive Director Responsible	Assurance Level	Summary of priority 1 issues/actions
			The CCG and LBC are reviewing all contracts to set up new agreements by April 2020.
Temporary Employment	Jacqueline Harris Baker	Limited	<p>A priority 1 issue was raised as seven of the sample of 30 orders tested (for 32 assignments) were originally placed for more than the required policy maximum of 24 weeks. Furthermore, 26 of these continued for longer than the duration as specified in the original order for an average of an extra 27 weeks.</p> <p>A priority 1 issue was raised as seven of the sample of 30 orders that were tested were not evidenced as appropriately authorised.</p> <p><u>Response provided November 2019:</u></p> <p>Updated policies have been drafted and awaiting sign off from senior management to ensure this has proper sign off and sponsorship.</p> <p>New deadline suggested: 1st December 2019</p>
Asbestos Management	Shifa Mustafa	Limited	<p>A priority 1 issue was identified as there are some 7,762 housing assets, assets for which there was no identifier of whether asbestos was either identified, strongly presumed, presumed or was not found. Discussion established that this number included assets such as roads; however, examination of the listing noted that there were also general rent dwellings, service tenancies and garages included</p> <p><u>Response provided December 2019:</u></p> <p>Asbestos policy and management plan now agreed. Awaiting final sign off. Workshops will take place on receipt of final sign off.</p>

13. Appendix 5 shows the 2019/20 follow-up audits undertaken to date and the number of actions agreed and implemented 93% of the total actions were found to have been implemented and 100% of the priority 1 actions/issues which have been followed up so far have been implemented.

Appendix 1: Summary from finalised audits of Priority 1 issues / recommendations

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
Payments to In-house Foster Carers	Limited (One priority 1 and three priority 2 issues)	A priority 1 issue was identified as the Fostering Services Regulations 2011 Foster Carer Agreements' in use did not properly cater for the requirements of the Data Protection Act 2018 or the General Data Protection Regulation. Furthermore, signed agreements were not held for two of the five foster carers sampled.
Health and Safety in Schools	Limited (Two priority 1 and four priority 2 issues)	A priority 1 issue was identified as procedure manuals were not in existence for the Education and Youth Engagement team A priority 1 issue was identified as certain premises health and safety legislation is not checked for compliance, and no evidence was available to show that recommendations raised from the inspections / certificates were followed up.
Temporary Employment	Limited (Three priority 1 and 13 priority 2 issues)	A priority 1 issue was identified as for 13 (or 20%) of the IR35 Assessments examined there was no contract or Statement of Works retained. A priority 1 issue was identified as seven of the sample of 30 orders tested (for 32 assignments) were originally placed for more than the required policy maximum of 24 weeks. Furthermore, 26 of these continued for longer than the duration as specified in the original order for an average of an extra 27 weeks. A priority 1 issue was identified as seven of the sample of 30 orders that were tested were not evidenced as appropriately authorised.
PMI General Maintenance	Limited (Three priority 1 and three priority 3 issues)	A priority 1 issue was identified as the PMI contract had not been financially managed in accordance with the contractual provisions for quarterly KPI reporting and the service delivery aspirations for at least three years. Management resolution of the data issues, meaningful and calculable KPI substitutions, and evidence based variable profit calculations was outstanding. A priority 1 issue was identified as it was established that the Core/Commercial/Partnering meetings as originally envisaged had been restructured. These changing terms of reference and arrangements had not been formalised via a contract variation or other mechanism leaving the governance arrangements undefined three years into the contract. Partnering Team meetings have been held irregularly but evidence of Commercial and Core Group meetings was not provided. A priority 1 issue was identified as, whilst there is a standing agenda item to discuss 'Capital Delivery Highlight Reports' at the Housing Assets Capital Investment Board, the minutes for June 2019 noted, 'No highlight reports provided at this time.' and the minutes for July 2019 noted, 'No highlight reports provided at this time.' Although a detailed works forecast spreadsheet exists and an example was provided, there is no evidence that this or any other budgetary control report is being used to monitor the budget position by senior management on a systematic basis.
Expenses and Overtime Payments to Staff	No (Five Priority 1 and three priority 2 issues)	Priority 1 issues was raised as <ul style="list-style-type: none"> Testing of a sample of 20 approved expenses established five instances where the expenses were incorrectly categorised and, in some instances, should not have been claimed. Examination of a report of all expenses claimed 1 April to 18 October 2019 confirmed that the above were not isolated examples. This despite users being required, prior to submitting expenses claims, to acknowledge that they have read and understood the Council's Expenses Management Policy. Sample testing identified expense claims that were being authorised outside of the 90 day eligibility timeframe as defined in the Expenses Management Policy. Examination of a report of all expenses claimed 1 April to 18 October 2019 confirmed that the above were not isolated examples. Examination of a report of all expenses claimed 1 April to 18 October 2019 identified two instances where payments to an individual had been claimed as expenses by a staff

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
		<p>employee. In both these instances it is held that HMRC would deem the individual to be an employee; however, no NI or PAYE deductions had been made. Furthermore, in line with the Council's Expenses Management Policy, these should not have been claimed as expenses.</p> <ul style="list-style-type: none"> Examination of a sample of expense claims from a report of all expenses claimed 1 April to 18 October 2019 identified that these had not been properly recorded and therefore there was a lack of record to demonstrate that these expenses were actually incurred for business purposes. Examination of the documentation held for a sample of 15 staff on the car allowance scheme identified that corresponding Compulsory Car Allowance User forms were not available for 10 of these staff.
Alternative School Provisioning	Limited (Two priority 1 and four priority 2 issues)	<p>A priority 1 issue was identified as the 'notification of exclusion forms' in use did not include a privacy notice in line with the requirements of the General Data Protection Regulation (GDPR) and the Data Protection Act (DPA) 2018.</p> <p>A priority 1 issue was identified as pupils' personalised plans and objectives were not set out in writing in accordance with statutory guidance.</p>
Adult Social Care – Waiting Lists	Limited (Two priority 1, three priority 2 and one priority 3 issues)	<p>Priority 1 issues were identified as:</p> <ul style="list-style-type: none"> the Front Door call statistics for up to the week commencing 12 August 2019 identified that 1 in 5 calls (21%) are lost and that the average call wait time was 4.05 minutes and the 'All Team Waiting List' dated 18 August 2019 detailed that there were 609 cases (with 221 of these relating to prior years), whereas the 'ASC Front Door and Localities Review Q2' report detailed that as at 19 August 2019 the wait list was 505.
Care Market Failure	Limited (Two priority 1, seven priority 2 and 1 priority 3 issues)	<p>A priority 1 issue was raised as formal contracts were not available for care home providers, although it was explained that a Dynamic Purchasing System was being established, which is anticipated will start from April 2020.</p> <p>A priority 1 issue was raised as the spreadsheet used to monitor quality monitoring visits showed that about 70 out of 134 care homes were overdue a monitoring visit.</p>
Food Safety	Limited (One priority 1, three priority 2 and one priority 3 issues)	A priority 1 issue was identified as as the reports of inspections due generated from the UNIFORM system were not accurate.
Community Equipment Service (Wheelchair service)	Limited (One priority 1 and two priority 2 issues)	A priority 1 issue was raised as the follow up of the recommendations raised in the 2017 ad hoc report identified that the recommendation relating to the BACs files being open to amendment had still not been implemented, meaning that any of the BACs payments during the last 2 years may have been manipulated. As about £1m of payments is made per month, this is a significant issue.
School Audits		
School	Assurance Level & Number of Issues	Summary of Key Recommendations
Winterbourne Nursery and Infant School	No (Eight priority 1, ten priority 2 and four priority 3 recommendations)	<p>Priority 1 recommendations were raised as:</p> <ul style="list-style-type: none"> at the end of quarter 1 the School had forecast a year end deficit budget of -£202k but at the time of audit had not yet agreed a formal budget deficit plan with the local authority for one of the sample of three new starter records examined, two references were not held, no panel notes were retained and there was no evidence that the role was advertised an appraisal of the Head Teacher had not been completed by December 31st 2018 due to the fact that he was not at the School for an extended period of time due to illness. An appraisal had still not been carried out at the time of audit in October 2019

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
		<ul style="list-style-type: none"> evidence of a DBS (Disclosure Barring Service) check was not held for one governor and the DBS checks for another governor and two staff members were overdue renewal sample testing identified payments to two separate individuals, where NI and PAYE deductions were not made and HMRC Employment Status Service tool checks had not been conducted goods received checks were not evidenced for eight of the sample of 11 transactions where documentation was available seven of the invoices from the sample of eleven transactions where documentation was available were not evidenced as appropriately authorised a number of gaps in the School's information governance arrangements were found
Beulah Juniors	<p>Limited (Five priority 1, three priority 2 and six priority 3 recommendations)</p>	<p>Priority 1 recommendations were raised as:</p> <ul style="list-style-type: none"> the School's 2018-19 SFVS (School Financial Value Standard) self-assessment was not evidenced as discussed or agreed by the full Governing Body as required sample testing of the documentation held for three new starters could not locate any references for two of the starters and only one reference for the third starter appropriate approval for five high value expenditure items, in line with the School's 'Financial Policies and Procedures Manual', was not evidenced Quotation and tender limits were not specified out in the School's 'Financial Policies and Procedures Manual the School's bank mandate still included a former member of staff as an authorised signatory.
Kenley Primary School	<p>Limited (One priority 1, six priority 2 and four priority 3 recommendations)</p>	<p>A priority 1 recommendation was raised as transactions were identified where payments were made to an individual for services and there was no evidence of their employment status for tax purposes being checked.</p>
Norbury Manor Primary School	<p>Limited (Three priority 1, eight priority 2 and two priority 3 recommendations)</p>	<p>A priority 1 recommendation was raised as for one new starter, only one reference was obtained and for another (who was an apprentice) no references had been obtained.</p> <p>A priority 1 recommendation was raised as right to work checks had not been properly evidenced for any of the sample of the three starters tested.</p> <p>A priority 1 recommendation was raised as the HMRC Employment Status Service tool had not been used to check the status of an individual that payments (without NI or PAYE deductions) were being made to</p>

Appendix 2 - Follow-up of 2015/16 audits (Incomplete follow ups only)

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2015/16	Waste Recycling	Shifa Mustafa	Substantial (6 th follow up in progress)	3	2	66%
Recommendations and implementation from all audits that have had responses				270	254	94%
Priority 1 Recommendations from audits that have had responses				22	22	100%

Appendix 3 - Follow-up of 2016/17 audits (Incomplete follow ups only)

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2016/17	Contract Monitoring and Management - Streets Division	Shifa Mustafa	Limited (2 nd follow up in progress)	6	0	0
2016/17	Anti-Social Behaviour	Shifa Mustafa	Substantial (6 th follow up in progress)	9	6	67%
2016/17	Clinical Governance	Guy Van Dichele	Substantial (5 th follow up in progress)	3	1	33%
Recommendations and implementation from audits that have had responses				424	386	91%
Priority 1 Recommendations from audits that have had responses				45	42	93%

Appendix 4 - Follow-up of 2017-18 audits (incomplete follow up only)

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2017/18	Abandoned Vehicles	Shifa Mustafa	No (7 th follow up in progress)	10	9	90%
2017/18	Unaccompanied Asylum Seeking Children	Robert Henderson	Limited (2 nd follow up in progress)	2	1	50%
2017/18	Brokerage	Jaqueline Harris-Baker	Limited (5 th follow up in progress)	10	9	90%
2017/18	Development Management	Shifa Mustafa	Substantial (1 st follow up in progress)	5	-	-
2017/18	Gifts and Hospitality	Jaqueline Harris-Baker	Substantial (4 th follow up in progress)	4	3	75%
2017/18	Admitted Bodies	Jaqueline Harris-Baker	Substantial (2 nd follow up in progress)	4	1	25%
2017/18	Design of New Back up and Disaster Recovery Solution	Jaqueline Harris-Baker	Substantial (2 nd follow up in progress)	2	1	50%
2017/18	GIS Application	Jaqueline Harris-Baker	Substantial (3 rd follow up in progress)	5	2	40%
2017/18	One Croydon Alliance Programme	Guy Van Dechele	Substantial (3 rd follow up in progress)	7	3	43%
2017/18	Contract Management Mechanical Works (Heating)	Shifa Mustafa	Substantial 1st follow up in progress)	4	1	25%
Recommendations and implementation from audits that have had responses				429	384	90%
Priority 1 Recommendations from audits that have had responses				49	47	96%

Appendix 5 - Follow-up of 2018/19 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2018/19	Voluntary Sector Commissioning Adult Social Care	Jaqueline Harris-Baker	No Assurance (3rd follow up in progress)	8	6	75%
2018/19	Housing Repairs	Shifa Mustafa	Limited (No further follow up)	2	2	100%
2018/19	Pensions Administration	Jaqueline Harris-Baker	Limited (No further follow up)	5	4	80%
2018/19	Children and Families System Support Team (ControCC)	Robert Henderson	Limited (2nd follow up in progress)	13	8	62%
2018/19	Payments to In House Foster Carers	Robert Henderson	Limited (1st follow up in Progress)	4	-	-
2018/19	Payments Against Orders	Robert Henderson	Limited (2nd follow up in progress)	10	3	30%
2018/19	SEN to include Ombudsman upheld complaints	Robert Henderson	Limited (3rd follow up in progress)	5	2	40%
2018/19	GDPR in Schools	Robert Henderson	Limited (No further follow up)	8	8	100%
2018/19	Health and Safety in Schools	Robert Henderson	Limited (2nd follow up in progress)	6	0	0
2018/19	Air Quality Strategy, Implementation and Review	Shifa Mustafa	Limited (1st follow up in progress)	8	-	-
2018/19	Allotments	Shifa Mustafa	Limited (No further follow up)	5	4	80%
2018/19	Live Well – Active Lifestyle Team	Shifa Mustafa	Limited (No further follow up)	7	7	100%
2018/19	No Recourse to Public Funds (NRPF)	Guy Van Dichele	Limited (No further follow up)	4	4	100%
2018/19	Croylease (Landlord Letting Scheme)	Guy Van Dichele	Limited (No further follow up)	8	8	100%
2018/19	Libraries Income Collection	Shifa Mustafa	Limited (No further follow up)	5	5	100%
2018/19	Election Accounts and Claims	Jaqueline Harris-Baker	Limited (No further follow up)	7	6	86%
2018/19	Temporary Employment	Jaqueline Harris-Baker	Limited (2nd follow up in progress)	16	4	25%
2018/19	Asbestos Management (Beyond the Corporate Campus)	Shifa Mustafa	Limited (3rd follow up in progress)	12	9	75%
2018/19	PMI General Building Works Service	Shifa Mustafa	Limited (1st follow up in progress)	6	-	-
2018/19	Parking Enforcement and Tickets	Shifa Mustafa	Substantial (1st follow up in progress)	5	-	-
2018/19	Payments to Schools	Jaqueline Harris-Baker	Substantial (2nd follow up in progress)	2	1	50%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2018/19	School Deficits and Surpluses (Conversion to Academy)	Robert Henderson	Substantial (2 nd follow up in progress)	4	3	75%
2018/19	Leisure Contract Management	Shifa Mustafa	Substantial (2 nd follow up in progress)	2	1	50%
2018/19	South West London Partnership (SWLP) Governance	Shifa Mustafa	Substantial (1 st follow up in progress)	3	-	-
2018/19	Highways Statutory Defence	Shifa Mustafa	Substantial (No further follow up)	4	4	100%
2018/19	Discretionary Housing Payments	Guy Van Dichele	Substantial (No further follow up)	3	3	100%
2018/19	Leasehold Service Charges	Guy Van Dichele	Substantial (No further follow up)	2	2	100%
2018/19	Public Events	Shifa Mustafa	Substantial (3 rd follow up in progress)	7	5	71%
2018/19	South London Work and Health Partnership(SLWHP)	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2018/19	Parking CCTV	Shifa Mustafa	Substantial (No further follow up)	1	1	100%
2018/19	Mortuary	Jaqueline Harris-Baker	Substantial (2 nd follow up in progress)	4	2	50%
2018/19	Growth Zone – High Level Review	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2018/19	GDPR	Jaqueline Harris-Baker	Substantial (2 nd follow up in progress)	2	0	0
2018/19	Council Investment and Operational Properties – Income Maximisation	Jaqueline Harris-Baker	Substantial (1 st follow up in progress)	4	-	-
2018/19	Access to IT Server	Jaqueline Harris-Baker	Substantial (3 rd follow up in progress)	3	1	33%
2018/19	Capita Event Management	Jaqueline Harris-Baker	Substantial (No further follow up)	3	3	100%
2018/19	Third party – Service Delivery	Jaqueline Harris-Baker	Substantial (1 st follow up in progress)	1	-	-
2018/19	Cashiers (Cash Handling)	Jaqueline Harris-Baker	Full (No further follow up)	1	1	100%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses				165	113	68%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				23	15	65%
School Audits						
2018/19	Virgo Fidelis Convent School	Robert Henderson	No (No further follow up)	27	27	100%
2018/19	Coulsdon C of E Primary School	Robert Henderson	Limited (No further follow up)	8	7	88%
2018/19	The Mister Junior School	Robert Henderson	Limited (No further follow up)	11	9	82%
2018/19	Winterbourne Junior Girls School	Robert Henderson	Limited (No further follow up)	12	12	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2018/19	Regina Coeli Catholic Primary School	Robert Henderson	Limited (No further follow up)	10	10	100%
2018/19	St Andrews C of E VA High School	Robert Henderson	Limited (No further follow up)	5	5	100%
2018/19	Thomas More Catholic School	Robert Henderson	Limited (No further follow up)	18	17	94%
2018/19	Christchurch CofE Primary School	Robert Henderson	Substantial (No further follow up)	10	10	100%
2018/19	Orchard Way Primary School	Robert Henderson	Substantial (No further follow up)	8	8	100%
2018/19	Park Hill Infant School	Robert Henderson	Substantial (No further follow up)	6	6	100%
2018/19	Ridgeway Primary School	Robert Henderson	Substantial (No further follow up)	7	6	86%
2018/19	The Hayes Primary School	Robert Henderson	Substantial (No further follow up)	7	7	100%
2018/19	St Mary's Catholic High School	Robert Henderson	Substantial (1 st follow up in progress)	12	11	91%
2018/19	Bensham Manor School	Robert Henderson	Substantial (No further follow up)	9	8	89%
School Audits Sub Total: Recommendations and implementation from audits that have had responses				150	143	95%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				19	19	100%
Recommendations and implementation from audits that have had responses				315	256	81%
Priority 1 Recommendations from audits that have had responses				42	34	81%

Appendix 6 - Follow-up of 2019/20 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2019/20	Alternative School provisioning	Robert Henderson	Limited (No further follow up)	6	6	100%
2019/20	Adult Social Care (ASC) Waiting Lists	Guy Van Dichele	Limited (1 st follow up in progress)	4	-	-
2019/20	Care Market Failure	Jacqueline Harris-Baker / Guy Van Dichele	Limited (1 st follow up in progress)	10	-	-
2019/20	Food Safety – Data Quality	Shifa Mustafa	Limited (3 rd follow up in progress)	5	3	60%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses				11	9	81%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				3	3	100%
School Audits						
2019/20	Winterbourne Nursery and Infant School	Robert Henderson	No (1 st follow up in progress)	22	-	-
2019/20	Beulah Juniors	Robert Henderson	Limited (1 st follow up in progress)	14	-	-
2019/20	Kenley Primary School	Robert Henderson	Limited (No further follow up)	11	10	91%
2019/20	Norbury Manor Primary School	Robert Henderson	Limited (1 st follow up in progress)	13	-	-
2019/20	All Saints C of E Primary School	Robert Henderson	Substantial (No further follow up)	12	12	100%
2019/20	Elmwood Infant School	Robert Henderson	Substantial (1 st follow up in progress)	6	6	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses				29	28	97%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				1	1	100%
Recommendations and implementation from audits that have had responses				40	37	93%
Priority 1 Recommendations from audits that have had responses				4	4	100%

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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REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 17 March 2020
SUBJECT:	Anti-Fraud Update Report 1st April 2019 – 31 January 2020
LEAD OFFICER:	David Hogan, Head of Anti-Fraud
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The work of the 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>	
FINANCIAL SUMMARY:	
<p>The budget provision for the Anti-Fraud service for 2019/20 is £276,000 and the service is on target to be delivered within budget.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

For general release

1.	RECOMMENDATIONS
1.1	<p>The Committee is asked to:</p> <ul style="list-style-type: none"> • Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2019 – 31 January 2020

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 2019 – 31 January 2020.

3. DETAIL

Performance 1 April 2019 to 31 January 2020

- 3.1 The CAFT comprises 10 staff (9.2 FTEs), including tenancy and corporate investigators, an Intelligence Officer, financial investigators and an Investigation Manager. The CAFT investigates allegations of fraud or corruption which affect the Council's business. In addition the team provides a service to the London Borough of Lambeth, as well as providing Financial Investigation services to the Merton/Kingston/Sutton Trading Standards partnership and the LB Bexley as well as LB Wandsworth. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 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

	YEAR END 18/19	ANNUAL TARGET 19/20	19/20 YTD PERFORMANCE
Successful Outcomes	167	130	158
Identified Overpayments & Savings	£1,099,263	£1,000,000	£1,160,101

Table 2 - Breakdown of Outcomes from 1 April 2019 – 31 January 2020 compared to the same period in 2018/19

2018/19		2019/20	
Area	Value £	Area	Value £
Housing - 55		Housing - 33	
7 Recovered Properties	126,000	7 Recovered Properties	£226,800
21 Removed from housing list	**42,000	2 Removed from housing list	**£4,000
2 Right to Buy stopped	£209,800	6 Right to Buy stopped	£658,000
2 Removed from TA	£36,000	5 Possession order	
4 Possession order		11 Legal notices issued*	
16 Legal notices issued*		1 Nomination Rights gained	£32,400
2 Nomination Rights gained	£36,000	1 Other	
1 – Other			

Other - 86 11 Formal Cautions 6 Dismissal/Resignation & Other Disciplinary Action 11 Council Tax Discounts 10 Council Tax reduction removed 3 Council tax liability order 19 Blue Badge Abuse 6 Recommendations for Improvements 7 Chargeback warnings 13 Other	£535,242	Other - 125 30 Formal Cautions 7 Dismissal/Resignation & other Disciplinary Action 7 Council Tax Discount 6 Council Tax Reduction Removed 1 Council tax liability order 50 Blue Badge abuse 24 Other	£238,901
Total	£985,042	Total	£1,160,101

*Includes: Notice Seeking Possession and Notice to Quit

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

3.4 National Fraud Initiative (NFI)

The National Fraud Initiative (NFI) is an exercise conducted under the auspices of the Cabinet Office that matches electronic data within and between public sector bodies to prevent and detect fraud.

Public sector bodies are required to submit data to National Fraud Initiative on a regular basis and in the case of local authorities there is a minimum biennial requirement to provide datasets. The current exercise is NFI 18/19 and work will begin in October 2020 to prepare the datasets for the NFI 20/21 exercise.

NFI 18/19 is a work in progress exercise but we have currently identified £167,112 in overpayments that relate directly to fraud and error. The two big areas for us have been:

- report 173 that matches our spend on residential care with the DWP national list of deaths – in 28 cases the report evidenced that the service user had passed away and we were either not informed at all or were given the wrong date of death resulting in recoverable funds of £93,511
- report 172.1 matches Blue Badge disabled parking permits with the DWP National list of deaths. In this report NFI found 545 matches, 295 of which we were unaware of and therefore presented a future fraud risk. These have not all been cancelled to mitigate that risk.

4. FINANCIAL INVESTIGATIONS

- 4.1 The Council employs two Financial Investigators to undertake work using the Proceeds of Crime Act 2002. This includes investigating and developing cases to obtain confiscation orders plus cash seizure and cash forfeiture cases.

Croydon's Financial Investigators undertake work for other councils, who do not have this capacity, on a fee basis. Last year they undertook work for the Merton/Richmond Regulatory services partnership and currently we are being commissioned by LB Bexley to assist them in covering maternity absence within their team.

Their investigations relate to various departments within the Councils including:

- Environmental enforcement
- Trading Standards - trademark and rogue trader cases
- Planning – enforcement case;
- Licensing
- Internal cases
- Safeguarding cases
- Business rates evasion by fraud

4.2 At the time of writing the Financial Investigators have 15 cases under investigation involving a total of 23 defendants. 6 of these cases are still awaiting conviction on the criminal offences before POCA proceedings can start. These investigations mainly relate to Croydon cases, but include cases for Merton, Wandsworth and Bexley Sutton councils.

4.3 Financial Investigators are empowered to apply for restraint orders which have to be approved by a Crown Court judge. A restraint order freezes property, including money and assets anywhere in the world. The aim of the order is to preserve a defendant's assets and make them available to satisfy a confiscation order. When there is a successful prosecution and if a confiscation order is granted then the restrained assets may be sold in order to pay the confiscation order.

The Council receives a portion of the value of a confiscation order and any forfeited cash.

The Council's Financial Investigators currently have £85,000 of cash detained pending forfeiture, plus the following items are restrained;

- 33 Bank Accounts
- 4 Properties
- 1 plot of land
- 1 vehicle

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 1 April to 31 January 2020:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	28
Total number of employees undertaking investigations and prosecutions relating to fraud	10
Total number of full-time equivalent employees undertaking investigations and prosecutions of fraud	9.2
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	9
Total number of full-time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	8.4
Total number of fraud cases investigated*	652

*The number of investigations that have been closed during the period April '19 to January 20.

6. FINANCIAL AND RISK ASSESSMENTS

- 6.1 The budget provision for the audit and anti-fraud service for 2019/20 is £276,000 and the service is on target to be 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 law, for and on behalf of Sean Murphy, Interim Director of Law and Governance and Deputy Monitoring Officer)

8. HUMAN RESOURCES IMPACT

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

(Approved by: 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.

11. DATA PROTECTION IMPLICATIONS

11.1. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

No, this report is for information only.

11.2. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

No DPIA has been completed as no personal data is used in the report. Any cases studies used do not include personal identifiers such as name and address

(Approved by: Lisa Taylor, Director of Finance, Investment and Risk)

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

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 17 March 2020
SUBJECT:	Corporate Risk Register
LEAD OFFICER:	Malcolm Davies – Head of Risk and Corporate Programme Office
CABINET MEMBER	Councillor Simon Hall, Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>This report presents the corporate risk register as at 17 March 2020 as part of the General Purposes and Audit Committee’s role of overseeing the risk management framework and receiving assurance that significant corporate (Red) risks are identified and mitigated by the organisation. This process will ensure that the risk management function will continue to contribute to the achievement of the Council’s vision, key priorities and objectives.</p> <p>In line with the Council’s commitment to openness and transparency, the corporate risk report will appear in Part A of the agenda unless there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).</p>	
FINANCIAL SUMMARY: No additional direct financial implications.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1.1 RECOMMENDATIONS

The Committee is asked to:

Note the contents of the corporate risk register as at 17 March 2020

2. EXECUTIVE SUMMARY

- 2.1 The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at 17 March 2020.

3. DETAIL

Risk Register Report

- 3.1 The register presented details all the current corporate risks rated at a total risk score of 20 and above (Red Risks).
- 3.2 Since the register was last considered by Members, no risk(s) have been escalated to 'Red' status.
- 3.3 Since the register was last considered by Members, there have been no risks de-escalated from 'Red' status.
- 3.4 In line with the Council's commitment to openness and transparency, the register will appear with the corporate risk report in Part A of the agenda unless, in accordance with the Access to Information Procedure Rules in the Council's Constitution there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).
- 3.5 It should be noted that some of the grounds for exemption from public access are absolute. However, for others such as that in para.3, 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)', deciding in which part of the agenda they will appear, is subject to the further test of whether, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

4. FINANCIAL CONSIDERATIONS

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

(Approved by Lisa Taylor –Director of Finance, Investment & Risk and Section151 Officer)

5. LEGAL CONSIDERATIONS

- 5.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no additional legal considerations arising from the recommendations in this report.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance and Deputy Monitoring Officer)

6. HUMAN RESOURCES IMPACT

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

(Approved by: Sue Moorman, Director of HR)

7. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

7.1 None

8. RISK ASSESSMENT

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

8.2 The corporate Risk Management Team (RMT) incorporates a '**horizon scan**' strategy in respect of the risk management activities undertaken as part of the Council's Risk Management Framework.

8.3 The horizon scan strategy is implemented through the distillation of cross – organisational & external professional networks maintained by the RMT. This strategy incorporates a multi-faceted approach including:

- Intelligence sharing (especially in respect of significant events / incidents)
with other local authorities such as the Local Government Association;
- Collaborative working particularly the London Boroughs network, London Councils and the Greater London Authority;
- Research conducted via professional and generic media mechanisms for
example The Association of Local Authority Risk Mangers, CIPFA;
- Regular attendance at DMT's / DLT's on a quarterly basis;
- Participation in the relevant 'working group' activities / projects for
example
major systems implementation such as Oracle Cloud, or
policy/legislative change implementation such as IR35 compliance;
and
- The ability to 'add value' and strategic direction and guidance is an
integral
aspect of the risk management consultancy available to senior officers.

9. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

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

10. DATA PROTECTION IMPLICATIONS

10.1. **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

No.

No personal data is processed as part of the production of the Corporate Risk Register.

(Approved by: Lisa Taylor, Director of Finance, Investment & Risk and Section 151 Officer)

10.2. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

No.

Not applicable as no personal data is processed as part of the production of the Corporate Risk Register

(Approved by: Lisa Taylor, Director of Finance, Investment & Risk and Section 151 Officer)

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

Appendix 1 Corporate Risk Register

Corporate Risk Register - General Purposes & Audit Committee (17 March 2020)

Directorate	Risk Ref	Assigned To	Risk	Impact	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
Adult Social Care & All-Age Disability	ASC0001	Owner Annette McPartland (Director) Lead Officer Guy Van Dichele (Exec Director)	Social Care market supply disruption leading to market failure and inability to fulfil statutory requirements. (Risk generated 24/08/2017)	<ul style="list-style-type: none"> Reduction in choice. Failure to meet service user needs. Delayed discharge from hospital. Increase budget pressure. Reduced quality of provision. Increase in safeguarding concerns. Increase number of providers within the provider concerns process. Increase in delays or overpayments to providers. Increase pressure on all internal services. 	<ul style="list-style-type: none"> Brokerage and Placements Quality Assurance. Market management by Contract monitoring team. Inflation strategy in place to manage fees paid. Pan London provider concern's process managed by safeguarding team. Integrated Framework Agreement extension in place. One Croydon Alliance Commissioning strategy ongoing implementation. ADASS Pan London minimum standards programme adopted. Croydon Dynamic Purchasing and e-market system commissioned September 2018. 	5	4	20	<ul style="list-style-type: none"> Micro-commissioning arrangements via new DPS for Dom Care to be in place by April 20 and Residential/Nursing by Summer 2020. Refreshed Market position statement. Restructured contract & market management function with increased number of monitors. Bring Services 'in-house' where appropriate. (enhance on case by case basis / review and ensure compatibility). Creation of more 'Supported Living' capacity. Completion December 2020. Reablement in South of borough - Review ability for provision within area. Completion December 2020. Insourcing commenced on 04/01/2020 to help improve services to residents. Ongoing participation with corporate Brexit Working Group to develop resilience (BCP's) to ensure continuity of service. Co-Production of new Placements and Brokerage Service to start Feb 20 and be in place by Summer 2020. 	5	3	15
Adult Social Care & All-Age Disability	ASC0012	Owner Annette McPartland (Director) Lead Officer Guy Van Dichele (Exec Director)	Demand on social care exceeds available resources leading to the Council being unable to meet its statutory responsibilities. *Where there has not been a real spending power increase in adult social care, non recurrent funding is being used to support budget(s). To mitigate these budgetary pressures in Adult Social Care in 2019/20, additional in year savings targets of £3.6m have been identified through the 2019 autumn Sprint sessions**. (Risk generated 03/04/2017)	<ul style="list-style-type: none"> Unable to meet statutory responsibilities. Financial loss. Reputational damage. Avoidable death or serious injury of older person under Council led care. 	<ul style="list-style-type: none"> 2% precept for social care. Better Care Fund (BCF). £1.3m investment through IBCF for Out of Hospital Business Case inc development of Discharge to Assess Model with further £2m in 19/20 and 20/21 Clients are provided with more support earlier through Gateway provision. 	4	5	20	<ul style="list-style-type: none"> Awaiting Government's White paper (no due date given). Need to identify funding to replace BCF. Clarification of 2020/21 funding. BCF 2019/20 agreed with CCG and in place. Implementation of Liquid Logic will ensure effective transition for client Case Management. 20 September 2020 target date. Implementation of 'Localities Working' will allow greater levels of service provision and support. 4 out of 6 localities operational financial year 2020/21. All older peoples will be completed by start of new financial year (2020/21). Risk Mitigation Methodology. Developing of ICN Plus supporting greater integration. Completion September 2020? Sprint & Efficiency Programmes ongoing to identify efficiency savings for the current and next financial years. Moving towards locality working with Gateway & Housing completion September 2020. 	4	3	12
Early Help & Childrens Social Care	EHSC0001	Owner / Lead Officer Robert Henderson (Exec Director)	The number of unaccompanied asylum seeking children looked after by Croydon remains significantly higher than the national average leading to significant financial pressure on the Council. (Risk generated 25/06/2018)	<ul style="list-style-type: none"> Significant service and staff resources pressures, with pressures on placement supply in-house and in the independent sector, and pressures on school places and LAC health services. Impact on Council revenue budgets as a result of insufficient funding. NTS continues to fail (transfer scheme). The total 2019/20 forecast cost of UASC for the Council is £8.2m, reported to Cabinet 24th Feb 2020 and includes Children's Social Care costs, along with costs associated with education and health. 	<ul style="list-style-type: none"> Working with the Association of London Directors of Children's Services and the Department for Education and Home Office to collectively support the National Transfer Scheme and the work of the Pan London Protocol. Working with the Home Office to ensure that only appropriate young people are placed. Age Assessment Team, supported by the Controlling Migration Fund to fast track all age disputed cases. Emphasis on wider negotiation of fair funding arrangements for Croydon. Implementation of the National Transfer Scheme. Continued use of the rota to place young people in other boroughs. The Council continues to hold meetings with the Immigration Minister and others in Home Office. Ongoing correspondence, conversations and clarifications with Home Office taking place. Ensuring compliance and ensure opportunities are utilised through a formal system for dispersing unaccompanied child migrants as introduced by central government. Working with London Council's and the LGA to raise awareness of the specific UASC pressures facing 'Port of Entry' locations (such as Lunar House). 	5	5	25	<ul style="list-style-type: none"> Further engagement with Home office and Association of Directors of Children Social Services. Ongoing lobbying of the Home office until response received. 2020/21 Budget assumption of £9M 	5	4	20
Early Help & Childrens Social Care	EHSC0007	Owner Nick Pendry (Director) Lead Officer Robert Henderson (Exec Director)	Dependency of Children's Services on interim resources. This includes the challenges of recruiting (particularly in Care Planning & Assessment Team) coupled with significant capacity and resourcing pressures and the impact of service reorganisations resulting in a lack of stable, high performing workforce. **Permanent Social Workers as at 31 January 2020 is 61% (with a vacancy rate of 39% Agency). The financial establishment of social workers caseholding is 288 FTE. For the calendar year 1 January 2019 to 31st December 2019, 171 staff were recruited and commenced work within the Division; 63 Social Workers, 32 Social Work Managers and remaining Professionally Qualified staff undertaking direct work with children and families**. (Risk generated 29/06/2018)	<ul style="list-style-type: none"> Managers and staff working excessive hours / holding excessive caseloads. Loss of key members of staff and inability to recruit and retain good quality candidates for vacant posts and reduce reliance on agency personnel. Poor decision making, performance and inability to deliver service transformation. 	<ul style="list-style-type: none"> Recruiting to vacancies: a detailed monthly analysis is identified by a workforce report. Recruitment campaigns are targeted to teams which identify unfilled vacancies and agency workers. Roles are advertised via Community Care which has a readership of social care professionals. In addition Croydon is holding a series of 'Excellence in Practice' recruitment seminars. - latest event held 29/03/2019. Further progress has been made in the conversion of locums to permanent staff - as at 28 June 2019, 23 locum staff had converted to permanently employed status. During the period 01/06/2018 to 31/05/2019 a total of 92 external staff were permanently recruited (of which 46 were social Workers). Exit interview process has been reviewed and structured to incorporate Director involvement and the ability to identify crucial management information / data to mitigate high attrition rates. New cohort of newly qualified Social Workers commenced May 2019. Social Worker housing scheme implemented. Overseas recruitment campaign inc S Africa to increase supply. Lower vacancy rates in final model excluding surge teams 	5	4	20	<ul style="list-style-type: none"> Collaborative work with HR Business Partner and team to promote more strategic approach to recruitment Croydon experiencing significant difficulties recruiting and competing in London. This strategy is ongoing and continuously reviewed. Implement recruitment and retention policy: implementation of the recruitment & retention policy is underway which includes learning and development career pathways, retention payment for Social Workers in hard to fill teams with payment in 2 instalments. There is a strategic approach to recruitment & retention which including benchmarking against other Local authorities, analysing exit interview data as well as monitoring sickness absence and 1:1 supervisions. Target Date = 31/05/2020 Completion Percentage = 60% Reviewing benchmarking and 'welcome payment' for Care Planning & Assessment Teams. Target date = 31/05/2020 Completion percentage = 60% Recruitment remains a key activity for Spring 2020 which includes recruiting the May 2020 cohort of Newly Qualified Social Workers (15 places), and new national and overseas recruitment campaigns. 	5	3	15

Directorate	Risk Ref	Assigned To	Risk	Impact	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
Early Help & Childrens Social Care	EHCS0010	Owner Nick Pendry (Director) Lead Officer Robert Henderson (Exec Director)	Exploitation of young people in the Borough particularly in relation to peer on peer and gang activities and children missing from home and care. (Risk generated 20/02/2018)	<ul style="list-style-type: none"> Children feeling and being unsafe/becoming victims or perpetrators of crime. Significant risk of harm to young people in the Borough through exploitation (sexual and criminal), being missing and/or trafficked or caught up in crime Risk of harm to Croydon children placed away from Croydon without prevention, disruption and protection activity. 	<ul style="list-style-type: none"> Partnership working with the police and other agencies. Strategy meetings for children who are missing, Child Exploitation risk assessment and risk reduction plans, with risk management meetings introduced, MACE as strategic oversight (multi agency child exploitation panel). Panels have been realigned and Complex Adolescents Panel began on 5th June 2019 so children are only discussed in one forum. This will report into the Vulnerable Adolescent Workstream. Much improved single performance and data report available now. Robust and reliable data as well as children's feedback being analysed on a regular basis (to include: increase in Return Home Interviews, less repeat missing children, realistic National Referral Mechanism (NRM) referral rate, realistic number of children tracked at risk of criminal and sexual exploitation and risks reducing). Investment made in expanding the team to complete return home interviews. Investment in a data analyst to understand the underlying issues and themes emerging so targeted preventative working can be developed. Analyst liaises with police and gangs analysts. Focused work with our schools around gangs and County Lines. Adolescent Support Teams who work on statutory basis with adolescents where there is a risk outside of the home. Adolescent Services within Children's Social Care incorporate the Gangs Team, Youth Offending and Child Exploitation Team, along with two statutory social care teams for adolescents. Choose Life campaign implemented. The Public Health Approach to Reducing Violence which provides the framework to deliver the council's commitment to reducing violence, including serious youth violence and knife crime in the borough, (Adopted 10/06/2019). The Complex Adolescents Panel (CAP) is a weekly multi-agency panel with senior representatives from the police, health, CAMHS, Gateway, YOS, gangs, education in attendance. It is chaired by the Head of Adolescent Services. The panel oversees children who are being exposed to extra-familial harm such as going missing, being exploited or who are involved in offending behaviour. Social workers and team managers present cases and the panel share information and intelligence. Resources can be allocated and actions are agreed to manage the risk presented, this includes those of perpetrators. Croydon's MACE is incorporated into CAP and children who are being exploited are reviewed, dependent on level of risk ie high = monthly. This enables senior managers of all partner agencies to understand who are the most vulnerable children in the borough and the risks that they face. It enables management of those risks with multi-agency planning and reviewing. 	5	4	20	<ul style="list-style-type: none"> Ongoing activity to ensure greater awareness and robust actions by all partners is promoted at all opportunities. Work with other local authorities to reduce placements of vulnerable children in Croydon. Negotiations are continuous and ongoing to reduce LBC's placement numbers. Assessment of the 'Glasgow Public Health' approach to managing violence. Completion April 2020. Robust and reliable data as well as children's feedback to be analysed on a regular basis (to include: increase in Return Home Interviews, less repeat missing children, realistic National Referral Mechanism (NRM) referral rate, realistic number of children tracked at risk of criminal and sexual exploitation and risks reducing). Completion date: 31/03/2020 Percentage completed: 90% The Violence Reduction Network is taking a fundamentally different approach where all partners work together with communities to drive down violence and by preventing violence before it happens by focusing on the causes, as well as the impact of the offences. The plans include the development of trauma-based training for staff, the community and voluntary sectors, to enable people to identify and understand adverse childhood and adult experiences and ensure those who experience them are properly supported. Implementation period is significant as it involves the introduction of several strategic approaches to working practices. The Mayors Violence Reduction Unit expected to deliver further targeted services in this area. 	5	3	15
Early Help & Childrens Social Care	EHCS0012	Owner / Lead Officer Robert Henderson (Exec Director)	The achievement of the improvement plan outcomes and the journey to a rating of 'Good' is not achieved, following the recent OFSTED re-inspection of 'Services for children in need of help and protection and children looked after and care leavers' which had previously judged the Council's Children's Services as 'adequate'. (Risk generated 19/12/2017)	<ul style="list-style-type: none"> Reputational damage, which has a severe impact on the Council's ability to recruit and retain high quality, skilled staff Children and young people at risk of significant and serious harm, because children in need of help and protection and children looked after by the Local Authority do not have sufficiently robust care plans and services to meet their needs and keep them safe. Financial cost of implementing wide ranging changes Increased referrals to children's social care from across partners, leading to unacceptably high workloads, poor service and associated financial pressures. Media scrutiny. Political scrutiny and activity. 	<ul style="list-style-type: none"> The Executive Director Children, Families and Education and Director of Early Help and Children's Social Care have analysed and evaluated the divisions strengths and weaknesses and translated these into a coherent set of sequenced priorities for action. Systemic leadership training for all managers has started with CSLT and will be mandatory for all service and team managers to ensure all have the skills, knowledge and ability to provide high support and high challenge to staff to achieve the best outcomes for children and families. Additional investment of £12m during 2019/20 in the base budget has resourced business support, learning and development and performance management, which create the conditions for good social work to flourish. Steady improvements in KPIs as reported to the Improvement Board indicate that the service improvement work is gaining traction, although the pace needs to speed up. Substantial engagement with staff has taken place across the whole department to plan and implement a locality working model across CFE, taking a risk-based approach to ensure this contributes to better services and improved outcomes for children. Sustained focus on recruitment and retention has led to the recruitment of five permanent service managers from good and outstanding authorities, reduced staff churn and seen staff returning to work in Croydon. Working with over 1000 children following implementation of transformation proposals. July 2019 - Monitoring Report Outcomes presented. Last two Ofsted visits have been positive and indicate a good direction of travel 	5	4	20	<ul style="list-style-type: none"> Further develop locality based working as part of the transformation, bringing more services together around families and communities to make sure families get the right services at the right time. Target date = March 2020. Completion percentage = 50% Following the systemic practice training strengthened relationships will be built across children's services and schools, early years and voluntary sector providers to keep the journey of the child at the centre. Early help will continue to provide robust, effective support for families, expanding the offer so more cases step down from statutory services. Target date = March 2020. Completion percentage = less than 5% of Early Help Workforce. 	5	3	15

Directorate	Risk Ref	Assigned To	Risk	Impact	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
Education	ED0001	Owner Shelley Davies (Director) Lead Officer Robert Henderson (Exec Director)	Increasing population with complex learning needs and parental expectations leads to rising demand and financial pressure on SEN fixed budgets including pressure on High Needs DSG budget, which can't be funded from General Fund reserves. ** The DfE has confirmed the provisions in The School and Early Years Finance (England) Regulations 2020 establishing a statutory requirement for any DSG deficit balance to be held within the local authority's overall DSG, meaning authorities cannot fund deficit from general fund without Secretary of State approval**. (Risk generated 27/06/2017).	<ul style="list-style-type: none"> • Children and families do not receive the advice and support they would expect. • Increased costs due to tribunals and complaints leading to reduced reputation. • Inability to achieve outcomes for children and families in Croydon. • LBC over reliance on 'independent sector'. • Increase in Education, Health & Care (EHC) Plans issued with no additional funding provided. 	<ul style="list-style-type: none"> • Further senior management review of existing plans. • Implement strategies for managing demand for more effective mainstream school placements. • High Needs Funding Review planned. • Modelling of Locality Based Working & Staged Approach supporting mainstream schools meeting SEN needs. • Implementation of SL DPS to reduce placement costs. • Improved forecasting and reporting of demand led spend to manage overall budget position. • Improved projections for school places. • New SEN strategy 2019 / 22 present to cabinet March 2019 following consultation. Plans to improve impact of service and measure to mitigate against cost. • Provision of more Post 16 specialist placements in borough by Sept 2019 with a further 244 school placements to come on stream by Sept 2020. • Continue to use Council Members / MPs to lobby Central Government for a review of the model that funds higher needs to reflect the actual demand for Croydon. • July 2019 5 yr deficit recovery plan submitted to DfE. • DSG Recovery Plan (balanced budget 2024/25) approved by Schools forum. 	5	4	20	<ul style="list-style-type: none"> • 0-25 SEND Strategy Implementation Plan to deliver change across the system – in five areas below. • The SEND Strategy implementation plan Governance is through SEND Working Group; which reports into Children & Families Partnership Board. • Review the Deficit Recovery Plan quarterly and expectation to be in a 'balanced budget' by 2023/24. • Early Identification and Intervention –improved HV assessment, identify needs, work with families early. Support for EY education providers, personalised inclusion funding until the end of EY Foundation Stage. • Review the Deficit Recovery Plan quarterly and expectation to be in a 'balanced budget' by 2023/24. • Graduated response – right support, right time. • Meeting needs locally in local schools at SEN Support level; reduced reliance on alternative education. • Review the Deficit Recovery Plan quarterly and expectation to be in a 'balanced budget' by 2023/24. • Joint Working – children's needs are met locally in Croydon (cost avoidance in inn sector), through co-ordinated and coherent pathways which are achieved through collaborative work with parents and YP; across education, health and care. • Review the Deficit Recovery Plan quarterly and expectation to be in a 'balanced budget' by 2023/24. • Post 16 pathway development so that there are effective local education, care and health pathways to adulthood, and EHC Plans are ceased in timely way (currently 40% HNB spend is post 16). • Review the Deficit Recovery Plan quarterly and expectation to be in a 'balanced budget' by 2023/24. • Workforce development – practitioners have the skills and knowledge to meet needs locally. Parents are confident. • Review the Deficit Recovery Plan quarterly and expectation to be in a 'balanced budget' by 2023/24. • South London Partnership SEN Commissioning Programme for commissioning residential and day placements for children and young people with Special Education Needs. • Review the Deficit Recovery Plan quarterly and expectation to be in a 'balanced budget' by 2023/24. • Free School being constructed which will relieve pressure in spend in non-mainstream sector. • Review the Deficit Recovery Plan quarterly and expectation to be in a 'balanced budget' by 2023/24. • Utilisation of the additional funding allocated in the 2019 'Spending Review'. • Review the Deficit Recovery Plan quarterly and expectation to be in a 'balanced budget' by 2023/24. 	5	3	15
Education	ED0002	Owner Shelley Davies (Director) Lead Officer Robert Henderson (Exec Director)	That a 'Local Area (OFSTED) Inspection' could issue a letter detailing improvement requirements / concerns in respect of the SEND Service. The SEND Service is one element of the Ofsted Inspection curriculum which also includes Children's Social Care and Adult Social Care . LBC and the CCG have overall joint responsibility. **The Education Directorate is co-ordinating the Council's approach but overall responsibility does not sit with the Directorate** (Risk generated 05/01/2018).	<ul style="list-style-type: none"> • Reputational damage. • Government intervention. • Financial cost of implementing wide ranging changes • Legislative action arising. • Difficulty in recruiting and retaining experienced and effective workforce. • Media scrutiny. • Political scrutiny and activity. • Increased referrals into SEND service and associated financial pressures.AF to update. • Judicial Review. 	<ul style="list-style-type: none"> • SEN Improvement Board established & meeting monthly to monitor SEN improvement plan and strategy. • Governance structure introduced to oversee delivery and implementation of the Improvement Strategy. 	4	5	20	<ul style="list-style-type: none"> • Implementation of 0-25 SEND strategy. • Implement plan to ensure 'Local Area' is inspection ready. • The SEND strategy is a three year strategy, we have a five year DGS recovery plan and in terms of inspection readiness we are awaiting the inspection call in either the Summer or Autumn term(s) (2020). 	4	4	16
Education	ED0003	Owner Shelley Davies (Director) Lead Officer Robert Henderson (Exec Director)	As at end of Q3 (2019/20) there are 11 of our 50 maintained schools in deficit potentially leading to default or an increase in arrears. The total deficit amounts to £5.4m (January 2020 returns figure) however two of the schools are in a loan arrangement with the LA. **It is noted that approximately 72% (£3.9m) of the deficit is attributable to two schools**. (Risk generated 08/08/2017).	<ul style="list-style-type: none"> • Financial loss to LBC. 	<ul style="list-style-type: none"> • Schools are requested to set a licence deficit plan – this includes a 3 year budget plan as to how the school will return to a balanced position. • Deficit schools are required to report financial outturn monthly. • Schools are met with by senior finance and education officers to discuss their deficit and their action plan for setting a balanced budget in the future. • We have input into the school's 3 year business plan to shape repayment terms and included a formal letter of agreement. Termly finance meetings for all maintained schools sharing best practice etc. • Where appropriate the Council is using its statutory powers to investigate installing an Interim Executive Board (IEB). Powers are limited in terms of financial benefit to the LA but could steer the school towards a form of collaboration with another education body. • Output from the independent Financial Review to inform the LA of next steps. Target date of September 2020. • Regular update meetings with the Governing Body's / SLT's of schools with the highest levels of debt. 	4	5	20	<ul style="list-style-type: none"> • More enhanced benchmarking using tools currently under development with the DfE. • Independent Financial Review of 'Schools in Deficit' funded from DSG schools block. Visits to 'Schools in Deficit' to commence by September 2020. 	4	5	20

Directorate	Risk Ref	Assigned To	Risk	Impact	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
Resources Department / Corporate	RCS0018	Owner / Lead Officer Jacqueline Harris-Baker (Exec Director)	<p>The Council is unable to deliver services (including all of its statutory requirements) should the UK and the EU not reach a mutually acceptable 'trading arrangement' by the end of the withdrawal agreement period (31 December 2020).</p> <p>**This risk is closely monitored in terms of impact however the outcome of the trade negotiations and final settlement arrangements cannot be determined at an organisational level. The Council will continue to react to the issues arising as a result of the status of the ongoing negotiations**.</p> <p>(Risk generated 25/06/2016).</p>	<ul style="list-style-type: none"> Wider uncertainties about the UK's economy and trade arrangements could potentially impact development plans and inward investment that are vital for the borough's regeneration. The UK Economic performance will impact local authority budgets and grants. Currently there are unknowns about whether further grant cuts will be imposed and how Croydon's budget may be affected. Croydon's business rates income could be impacted by any loss of confidence in investment in the UK economy. 'A No-trade deal' has a high likelihood of causing disruption to supply chain with delays and higher costs which may impact on consumers. This may cause shortages in supplies, including critical areas such as medicines, food and fuel. 	<ul style="list-style-type: none"> Cabinet have endorsed a statement to say that Croydon values and welcomes EU citizens and is open for business and plans are in place to safeguard our growth. The Council is working together with it's partners to be vigilant to identify any hate crime and take vigorous action against perpetrators. A cross-organisational Brexit Working Group (with SRO) to coordinate the Council's response in operation. The groups activities include the sharing of information / intel, the identification of risks and their impact, corporate resilience and scenario planning, communications strategies and a corporate action plan delivery. This work is being coordinated with partners. LBC is contributing to Regional Communications Structure through representation at London Council's. Using funding from MHCLG to ensure robust planning in place. 	5	4	20	<ul style="list-style-type: none"> The Council will continue working with developers and investors to encourage and enable suitable projects within the borough The Council will continue to monitor pension fund investments, consider options and viability as volatility levels and markets change. The Council will continue to monitor resources to enable delivery utilising the MHCLG grant as appropriate. 	5	4	20
S151 Finance, Investment & Risk	FIR0018	Owner Lisa Taylor (Director) Lead Officer Jacqueline Harris-Baker (Exec Director)	<p>The 2019/20 budget is not managed within allocated resources resulting in an overspend and therefore the need to implement additional cuts to services.</p> <p>Q3 (19/20) presented to Cabinet 24/02/2020 a forecast revenue overspend in 19/20 of £2.4M and work is taking place to reduce this.</p> <p>In year funding reductions are imposed whilst the Council experiences a continuous rising demand for service provision and growth in population. The continuing improvement of Children's Services following the OFSTED inspection (June / July 2017) has required greater investment in this service with over £10m having been invested in Children's Services during 2018/19. A further £12m investment has been allocated in the 2019/20 budget.</p> <p>2018/2019 year end overspend was £5.466m. This includes costs relating to UASC, which the Home Office are still not engaging with Croydon to resolve.</p> <p>(Risk generated 18/09/2018)</p>	<ul style="list-style-type: none"> Insufficient resources will lead to inability to meet needs and political aspirations. Potential inability to meet statutory responsibilities in times of increasing demand through changing demographics, for example mental health services, older people's services, children's services and housing. Damage to reputation and service risk. Reduction in resources. Erosion of reserves. Risk of failure to balance Budget and failure to maintain capital investment strategy in infrastructure (Strategic objective alignment: Enabling). 2019/20 Q3 monitoring has provided an indication of a forecast overspend. Action is being taken by all departments to reduce costs. This includes increased controls on all expenditure including Agency Staff, use of contractors and cost of high level placements. Use of General Fund Reserves 	<ul style="list-style-type: none"> Immediate response to national consultations / questionnaires in conjunction with continued lobbying of central government. Corporate Plan aligned to MTFS to ensure priorities align with resources. Quarterly financial monitoring with additional controls in respect of Adult and Children Social care where the high risk areas are monitored monthly. Regular monitoring of all reserves including Transformation Projects for both service delivery and financial savings. Implementation of the Localities Project to deliver savings. MTFS 2018/22 presented to cabinet (September 2018), setting out future budget requirements. Continued implementation of the Children's Improvement Plan. SEN Transport - Continued development of the service operating model to drive efficiencies. This includes the continued use of independent travel. Development of a 5 year financial model to continue to manage SEN Transport costs. Continued delivery of Gateway & Family Link Service. Recruitment pause commenced August 2019. Review of fees and charges. Implementation of High Needs Strategy. 	5	4	20	<ul style="list-style-type: none"> Refresh the MTFS to aid setting the 2020/21 budget and identify at an early stage projects and programmes to do this working closely with CLT / ELT and Cabinet to achieve this. Regular review of all fees and charges. Continue to implement all Savings & Transformation projects to ensure delivery. Focus on preventative measures and early intervention particularly with identified top high cost families, including the Localities Project model benefits (continuous review). Children's Social Care - continued implementation of The Improvement Plan. Adult Social Care - continued review of service delivery and review of all contracts. Continued active engagement in fair funding review. Continued Home Office lobbying for fair UASC funding. 	5	3	15

Directorate	Risk Ref	Assigned To	Risk	Impact	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
S151 Finance, Investment & Risk	FIR0021	<p>Owner Lisa Taylor (Director)</p> <p>Lead Officer Jacqueline Harris-Baker (Exec Director)</p>	<p>Funding levels provided through the Government Grant are significantly lower than forecast or anticipated, resulting in severe limitations being placed on the Council's Medium Term Financial Strategy.</p> <p>**There has been great uncertainty in relation to the level of funding beyond 2020. Medium Term Financial Planning is taking place against a background of significant funding cuts for local government alongside government plans for major local government finance reforms and this uncertainty is making planning very difficult to manage. The Spending Review (2019) offered hope with additional funding being allocated in Local Government next year. The Local Government Finance Settlement has provided greater funding certainty for Croydon for one year 20/21. There remain a continued level of uncertainty beyond 20/21 as the settlement was only for 1 year.**</p> <p>(Risk generated 27/06/2019).</p>	<ul style="list-style-type: none"> • Service disruptions or services ceased • Key manifesto / corporate objectives not achieved. • Resident dissatisfaction. • Media and political scrutiny. • Legal challenge and associated consequences. • Little time to strategically plan. • Staff reductions • Unable to manage a balanced budget • Issue Section 114 notice 	<ul style="list-style-type: none"> • Continuous monitoring / scrutiny of all budgets and commitments. • Continuing approach to organisational efficiency including smart commissioning & procurement strategies, and recruitment controls. Targeted approach to early intervention and prevention strategies (children's and adult's social care / Gateway Strategy) and exploitation of opportunities for working in collaboration with our partners. • Diversification of organisational operating portfolio's (incl. asset investment / revenue generation opportunities. • Continued maintenance of general reserve at current levels, with an ambition to increase the minimum level of reserves to 5% of the net revenue budget to cover any major unforeseen expenditure. • Continued lobbying with Home Office on several occasions for fair funding. 	5	5	25	<ul style="list-style-type: none"> • Strategies being developed to promote and stimulate new growth opportunities. • Continued focus / investigation into effective approaches to managing demand. • Continued strategic approach to identifying efficiencies and savings through changes to the way the Council works e.g. exploiting new technology, consolidation of buildings and processes. • Identification of new ways to strengthen the long term financial position through increasing income sources. • Refresh of MTFS over Spring 2020 for Cabinet in July 2020. 	5	4	20

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**General Purposes
& Audit
Committee**

**Draft
Annual Report
2019/20**

Foreword

It is my pleasure to bring to Full Council this annual report of the General Purposes and Audit Committee for 2019/2020. The report highlights the important work of the committee over the last year and I would like to thank the officers and auditors for all their input and advice.

Officers and our external auditors have worked closely with the committee to bring forward a balanced look at the departments to make sure we have good governance and risk management and continue to deliver services efficiently. I would like to personally thank them for the time they have given me.

As part of its work, the committee has noticed a deterioration in the results of internal audits over the last couple of years and the resultant overall limited assurance that the Head of Internal Audit has given this year. This is clearly happening as a direct result of Central Government cuts in funding and the pressure that these are putting on the organisation. The committee will continue to monitor this and challenge officers to put measures in place to control the identified areas. The committee has again approved a robust internal audit plan for the coming year that will help to shine a light into the organisation's dark corners.

The meetings have a diverse agenda which always makes sure we have an interesting meeting that covers a vast range of issues and gives members some knowledge of most departments across the Council.

The antifraud team has been determined in its pursuit of those who would defraud our Council. The reports and sample evidence to the committee has been most helpful, the detail gives us a better insight into the work of the officers.

Finally, I would like thank the committee members for their knowledge of the agenda, relevant questions and support to myself and my Vice Chair Cllr Joy Prince. I would also like to thank Joy for her work and knowledge.



Cllr Karen Jewitt
General Purposes & Audit Committee Chair

Introduction

1. The General Purposes & Audit Committee (the Committee) has a wide ranging brief that underpins the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including audit, anti-fraud and the financial reporting frameworks. It also deals with a limited number of matters not reserved to the Council or delegated to another Committee and related to a non-executive function. The Committee was formed in 2014, replacing the former Corporate Services Committee and the Audit Advisory Committee.
2. This report details the work of the Committee during 2019/20, outlining the progress in:
 - Internal Control;
 - Risk management;
 - Internal Audit;
 - Anti-fraud;
 - External Audit;
 - Financial reporting
3. Table 1 details the Committee Members during 2019/20. Members have a wide range of skills and bring both technical and professional experience to the role. All the Members have some experience in relation to the governance processes they challenge. This provides a solid foundation from which to develop the Committee's role.

Table 1: Members of the General Purposes & Audit Committee 2018/19

Member	Role
Councillor Karen Jewitt	Chair
Councillor Joy Prince	Vice-Chair
Councillor Pat Clouder	Member
Councillor Bernadette Khan	Member
Councillor Mary Croos	Member
Councillor Stephen Mann	Member
Councillor Jan Buttinger	Member
Councillor Oni Oviri	Member
Councillor Stuart Millson	Member
Councillor Steve Hollands	Member
Mr Muffaddal Kapasi	Non-Elected, non-voting Independent Member

Mrs Nosheen Hassan	Non-Elected, non-voting Independent Member (Part Year)
Reserve Members: Councillors: Clive Fraser, David Wood, Jamie Audsley, Sherwan Chowdhury, Patsy Cummings, Toni Letts, Jason Cummings, Badsha Quadir, Ian Parker and Simon Brew	

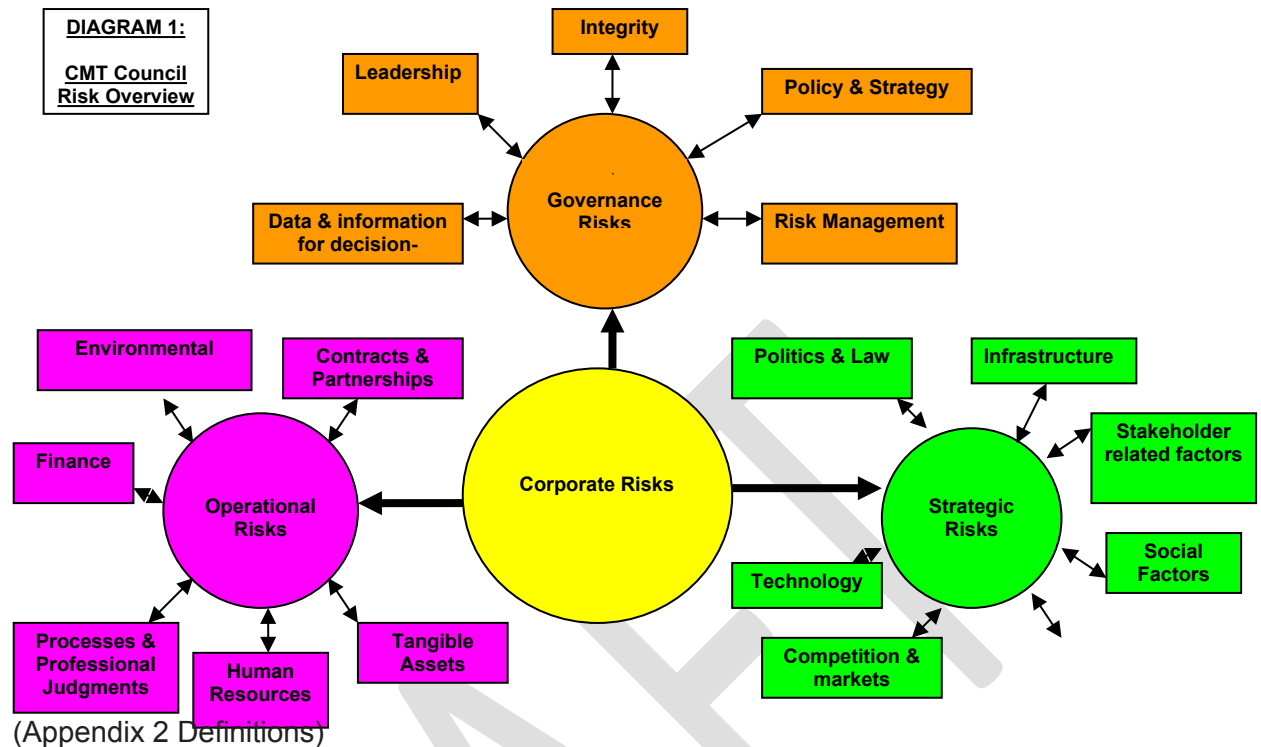
4. Independent non-voting Members play an important part in the deliberations of the committee and bring useful additional skills and external perspective. The committee would like to express its thanks to those people who have given of their time during the year to work alongside the elected Members.
5. This report details the work of the Committee in 2019/20.

Internal Control

6. A pivotal role of the Committee is its work in developing the Council's internal control and assurance processes culminating in the Annual Governance Statement (AGS). The Accounts and Audit Regulations 2015 require the Council to review the effectiveness of its systems of internal control and publish the AGS each year alongside the financial statements. The information for the AGS is generated through the Council's Assurance framework (Appendix 1) including:
 - Risk management;
 - Internal Audit;
 - Anti-Fraud;
 - External Audit.
7. The Committee leads this review by receiving, at every meeting reports on these service areas.
8. To support its understanding of issues relating to internal control and to emphasise its commitment to a robust internal control environment, the committee invites officers to attend its meetings to give briefings in relation to strategic risks and what is being done to mitigate them. It also invites officers to give explanations where significant issues are identified through internal audits.

Risk Management

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



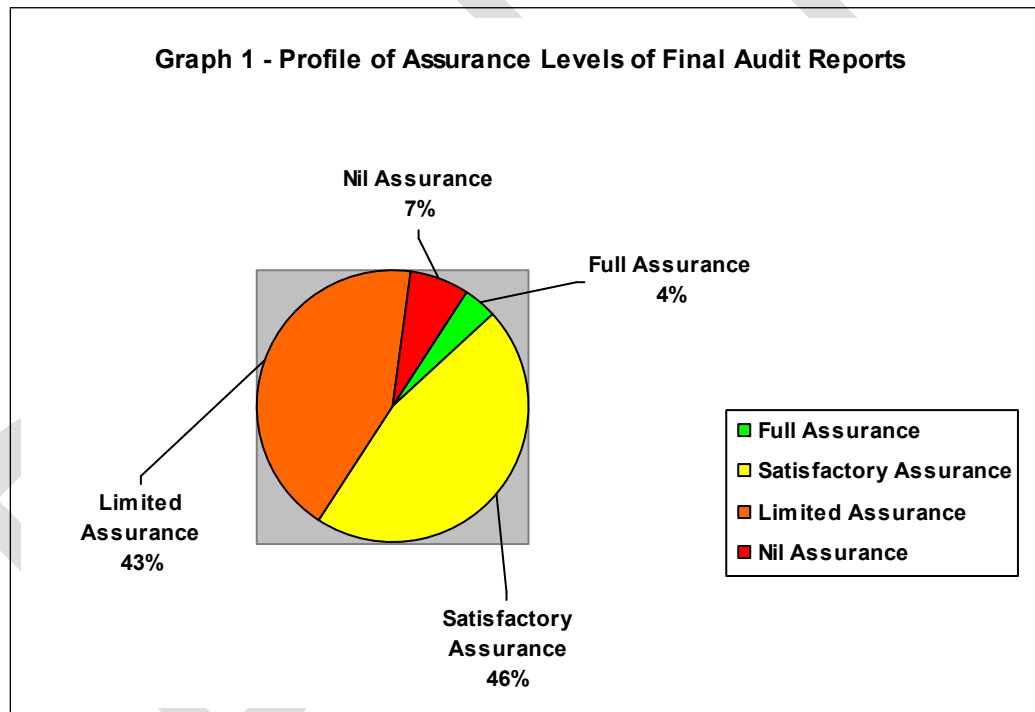
10. The reporting process to Department Leadership Teams and to the Council's Governance Board is complemented by the Committee reviewing the Council's key risks. At all Committee meetings Members review the current risks being reported to DLTs. There is in-depth review and challenge in relation to the risks presented and crucially the risk management framework underpinning it.
11. The Committee has monitored the continued development of the council-wide, risk register system including a training programme for all risk owners. The content of the registers maintained on the system is refreshed quarterly by a facilitated risk review and challenge session with each Director and their management team.
12. The Council's approach to risk management is also used to manage the challenges associated with the delivery of significant projects.
13. Internal Audit has view-only access to the risk registers to assist its risk-based audit approach, ensuring it is dealing with the most up to date information. Following audit reviews, the resultant report is mapped against the identified risk on the risk register. This gives a complete picture of how the Council is managing the challenges it faces in delivering its objectives.

Internal Audit

14. The work of the Council's internal audit service is delivered in partnership with Mazars Public Sector Internal Audit Limited. The current contract

began on 1st April 2018 and will end on 31st March 2024 with the possibility of extending for a further two years.

15. The alignment of the audit programme to the Council risk management framework has focused internal audit on the key challenges the Council faces and therefore, the issues that if not managed, could lead to strategic objectives not being achieved. The enhanced focus on these key challenges has continued to improve the value added by the service and is demonstrated in the increased strategic engagement of Directors and departmental leadership teams in the audit programme.
16. Graph 1 shows that at the time of writing 50% of finalised audits have full or satisfactory assurance compared to 64% for the same period last year. Council wide, the performance in audits has declined against the previous year and the Head of Internal Audit has indicated that a Limited overall assurance level may be given by the time of his annual report.



17. To help improve internal audit results and internal control more generally the Council's Governance Team continues to organise and lead, with support from other colleagues, a series of workshops under the banner of 'Doing the Right Thing' to raise awareness of key corporate policies and procedures. Over the last few years over 1000 managers and staff have attended these workshops. Immediate feedback shows that these have been very well received. An e-learning module has also been produced in the hope that this will enable more staff to benefit from this more flexible delivery.
18. A key measure of the Internal Audit service's effectiveness is the implementation of agreed actions to address the issues identified in audits. The target for implementation of actions is 80% for priority 2 and

3 actions and 90% for priority 1 actions. The stringent approach to the follow up process has continued with tight timescales for follow up work linked to the level of assurance.

19. Table 2 details the performance in this area in all follow up work completed since 1st April 2015.

Table 2: Implementation of Agreed Actions to date

	Target	2015/16	2016/17	2017/18	2018/19	2019/20
Percentage of priority one agreed actions implemented at the time of the follow up audit	90%	100%	93%	96%	81%	100%
Percentage of all agreed actions implemented at the time of the follow up audit	80%	94%	91%	90%	81%	93%

20. The main performance indicators for the Internal Audit team are detailed in Table 3.

Table 3: Internal Audit Performance 2019/20 year

Performance Objective	Annual Target	Actual performance [to January 20]	RAG
% of planned 2018/19 audit days delivered	100%	68%	A
% of 2018/19 planned draft reports issued	100%	42%	A
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	86%	G
% of qualified staff engaged on audit	40%	38%	A

Anti-Fraud

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

- Annual Counter-Fraud newsletter for Members and staff communicating key counter-fraud messages, risks, issues and cases;
- Assisting neighbouring boroughs by providing expertise in the form of staff resources where they have gaps in expertise and generating income for Croydon Council.
- Maintaining a learning and development programme, including face to face and e-learning opportunities.

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

National Fraud Initiative (NFI)

23. The NFI is a biennial data matching exercise undertaken by the Cabinet Office. This is a national exercise and every Council in England and Wales participates, along with many other public sector bodies. The exercise has legal powers to undertake data-matching across the public sector to prevent fraud and corruption. The Council's participation in the 2019/20 round has so far identified **£167k** of fraud or error across 330 cases, for which recovery action will be taken where possible.

Corporate Anti-Fraud Team performance

24. Between 1st April 2019 and 30 November 2019 the Anti-Fraud team had identified in total over **£947k** (against an annual target of £1m) with 129 successful outcomes including the recovery of 5 council properties and recovered 43 Blue Badges that were being misused. Demand for available disabled parking is expected to increase from August 2019, when the qualifying conditions are extended to those with mental health conditions. The team continues to work with colleagues from across London on this organised fraud and is committed to identifying and stopping the organisers, as well as those using the fraudulent badges.
25. The fraud team in 2019/20 has continued to deal with complex cases requiring a multi-agency approach to deal with the issues of fraudulent activity identified. These have resulted in some very good local press coverage. The team proactively targeted a fraud involving the use of high quality forged blue badges in the borough, resulting in 11 cases prepared for criminal prosecution. This work effectively removed the value in these forged documents thereby wiping out the market interest for those producing them and eliminating the problem.
26. Croydon continues to lead in setting the agenda relating to public sector anti-fraud activity. This is achieved nationally, regionally and locally by taking a leading role in a number of organisations, including:
- The National Anti-Fraud Network, with representation on the Executive Board
 - London Audit Group, with representation on the Executive Board
 - The Government Counter Fraud Profession, Croydon was asked by the Cabinet Office to lead on the conversion of the first local authority investigators from their existing professional standards into the new counter-fraud profession for the public sector.

- The APEX Audit & Anti-Fraud Partnership which is organised and hosted by Croydon Council and provides internal audit to 40 other local authorities

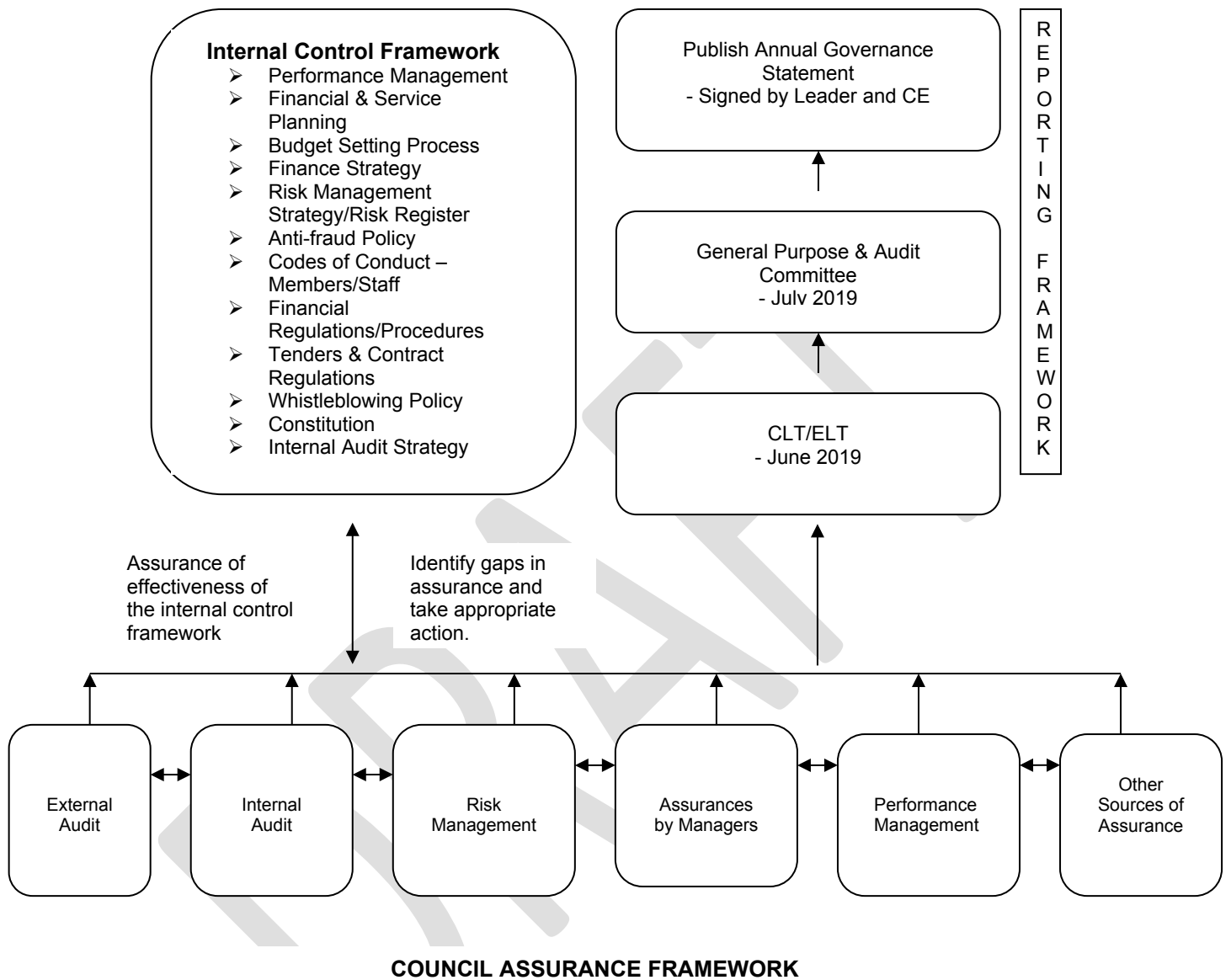
External Audit

27. The Council's external audit service is currently provided by Grant Thornton (GT) under a contract let on Croydon's behalf by Public Sector Audit Appointments Ltd. GT works in partnership with the Council ensuring its governance processes are effective. They have been invited and attended all of the Committee meetings. At every meeting they prepare an external audit progress update for the Committee to review and discuss any issues arising.

Financial Reporting

28. In July 2020, the Committee reviewed the annual accounts in detail asking a number of questions before approving them in advance of publication. This review will be carried out in July each year.

Council Framework for the Annual Governance Statement



COUNCIL ASSURANCE FRAMEWORK

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

Categories of Risk

Categories of Risk		
	Source of Risk	Risk Examples
STRATEGIC (external drivers)	Infrastructure	Functioning of transport, communications and utilities infrastructure. The impact of storms, floods, pollution. Development in Borough renders infrastructure inadequate.
	Politics & Law	Effects of changes of government policy, UK or EC legislation, national or local political pressure or control, meeting the administration's manifesto commitments.
	Social Factors	Effects of changes in demographic, residential and social trends on ability to deliver objectives. Excess demands on services.
	Technology	Capacity to deal with obsolescence and innovation, product reliability, development and adaptability or ability to use technology to address changing demands.
	Competition & markets	Affecting the competitiveness (cost & quality) of the service &/or ability to deliver Best Value and general market effectiveness.
	Stakeholder-related factors	Satisfaction of: citizens, users, central and regional government and other stakeholders regarding meeting needs and expectations.
	Environmental	Environmental consequences of progressing strategic objectives (eg in terms of energy efficiency, pollution, recycling emissions etc.)
OPERATIONAL (internal drivers)	Finance	Associated with accounting and reporting, internal financial delegation and control, failure to prioritise or allocate budgets. Insufficient resources or lack of investment.
	Human Resources	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, reliance on consultants, employment policies, health & safety, and absence rates. Migration of staff to contact centre.
	Contracts & Partnerships	Failure of contractors to deliver services or products to the agreed cost & specification. Issue surrounding working with agencies. Procurement, contract and relationship management. Overall partnership arrangements, eg for pooled budgets or community safety. PFI, LSVT and regeneration. Quality issues.
	Tangible Assets	Inadequate building/assets. Security of land and buildings, safety of plant and equipment, control of IT hardware. Issue of relocation.
	Environmental	Relating to pollution, noise or the energy efficiency of ongoing operations.
	Processes & professional judgements	Errors and omissions associated with professional judgement. Inspection compliance, project management, performance management, benefits system, environmental management system (EMS). Not achieving targets, failure to implement agendas and service failure. Also risks inherent in professional work.
GOVERNANCE	Integrity	Fraud and corruption, accountability and openness, legality of actions and transactions and limits of authority.
	Leadership	Reputation, publicity, authority, democratic renewal, trust and identity.
	Policy & strategy	Ensuring clarity of purpose and communication. Policy planning, community planning and monitoring and managing overall performance. Not seeking or following advice from the centre.
	Data & information for decision making	Data protection, data reliability and data processing. Information and communication quality. Effective use and interpretation of information. Control of data and information. E-government and service delivery. Inappropriate and/or lack of software. Storage issues.
	Risk Management	Incident reporting and investigation, risk measurement, evaluation and monitoring. Internal Control and Business Continuity Issues.

DRAFT

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 17 March 2020
SUBJECT:	GPAC Independent Non-voting Member Recruitment
LEAD OFFICER:	Simon Maddocks, Head of Internal Audit
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
The report relates to the appointment of independent non-voting Members in respect of Audit functions for the General Purposes and Audit Committee	
FINANCIAL IMPACT	
There are no direct costs arising from the proposals within this report.	
1. RECOMMENDATIONS:	
That the Committee:	
1.1 Supports the recommendation of the recruitment panel for the preferred candidate to be appointed as an independent non-voting co-opted member of the Committee;	
1.2 Recommends to Full Council that the appointment should be confirmed for the remainder of the municipal year and that said appointment be subject to the Code of Conduct for Non-Voting Co-optees.	

2. EXECUTIVE SUMMARY

- 2.1 This report identifies the recommended candidate to be appointed as an independent non-voting co-opted Member on the General Purposes and Audit Committee.

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 At its meeting on January 13th 2020, this committee gave a delegation to the Chair to commence recruitment by inviting applications for the vacant post. Once a suitable candidate was identified following the interview process, this was to be reported back to the committee to enable a recommendation to be made to Full Council at the end of March for the appointment to be confirmed.
- 3.4 It is hoped that a new independent non-voting co-opted Member of the committee would commence their duties at the July meeting of the committee.
- 3.5 After advertising the role on the Council's website, in the Council's e-newsletter 'Your Croydon' in the local press and on LinkedIn followed by an interview process, a suitable candidate has been identified.
- 3.6 The Committee is asked to recommend to Full Council, the appointment of **James Smith** as an independent non-voting co-opted member of the General Purposes and Audit Committee, in relation to Audit only functions. Such appointment is to be subject to the Code of Conduct for Non-Voting Co-optees. James is a resident of the borough. Professionally he is a Chartered Engineer and a Programme Manager with TfL.

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. LEGAL CONSIDERATIONS

The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there is provision within the Constitution for the appointment of two independent non-voting co-opted committee members to the General Purpose and Audit Committee who are permitted to be involved in an advisory capacity in respect of the Audit Functions only of the committee. Such members are bound by the Council's Scheme of Co-option and in turn the Code of Conduct for non-voting co-opted members. Within the Code of Conduct there is also a requirement to complete a register of interests within 28 days of taking office.

(Approved by: Sandra Herbert Head of Corporate and Litigation Law on behalf of the Director of Law and Governance & Deputy 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.

(Approved by: Jennifer Sankar, Head of HR Place & Interim Head of HR Resources, for and on behalf of Sue Moorman, HR Director)

CONTACT OFFICER: Simon Maddocks, Head of Internal Audit

APPENDICES: None

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REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 17 March 2020
SUBJECT:	UPDATE ON IN-YEAR APPOINTMENTS
LEAD OFFICER:	Jacqueline Harris Baker Executive Director of Resources
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: The in-year appointments detailed in this report have been made in keeping with the Council's Constitution.	
FINANCIAL IMPACT: There are no financial implications arising from the content of this report.	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the in-year appointments made under delegated powers by the Council Solicitor and the Scrutiny and Overview Committee as detailed in paragraph three of the report.

2. EXECUTIVE SUMMARY

- 2.1 This report updates Members on a number of in-year appointments made either by the Council Solicitor or the Scrutiny and Overview Committee under delegated powers since the last meeting of the Committee.

3. IN-YEAR APPOINTMENTS

Appointments to vacancies under delegated authority by the Council Solicitor

- 3.1 Following consultation with the party whips, and pursuant to Part 2 Article 4.1(f) of the Constitution, the following in-year appointments have been made by the Council Solicitor:
- (i) Councillor Caragh Skipper has been appointed to the Tenants and Leaseholders Panel to fill a vacancy.
 - (ii) Councillor Caragh Skipper has been appointed to the Planning Committee (as a Reserve Member) to fill a vacancy.

Variation to appointments under delegated authority by the Scrutiny and

Overview Committee

3.2 Following a resolution of the Scrutiny and Overview Committee pursuant to Part 4E, para 2.4 of the Constitution, the following in-year appointments have been made:

- (i) Councillor Caragh Skipper has been appointed to Scrutiny Streets, Environment and Homes Sub Committee to replace Councillor Felicity Flynn.

4. CONSULTATION

4.1 In accordance with the Constitution, these in-year appointments have been made following consultation with Group Whips and the Scrutiny and Overview Committee where required.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no financial implications arising from the contents of this report.

Approved by: Approved by Lisa Taylor, Director of Finance, Investment and Risk, Interim S151 Officer.

6. LEGAL CONSIDERATIONS

6.1 The Head of Litigation and Corporate Law comments that the above in-year appointments have been made in keeping with the Council's Constitutional requirements.

Approved by: Sandra Herbert Head of Litigation and Corporate Law for and on behalf of the Director of Law and Governance & Deputy Monitoring Officer.

7. HUMAN RESOURCES IMPACT

7.1 There are no human resources implications arising from the content of this report. Approved by: Sue Moorman, Director of Human Resources.

CONTACT OFFICER: Stephen Rowan, Head of Democratic Services and Scrutiny

APPENDICES TO THIS REPORT: None

BACKGROUND DOCUMENTS: None