

General Purposes and Audit Committee Agenda



To: Dr Olu Olasode (Chair)
Councillor Karen Jewitt (Vice-Chair)
Councillors Chris Clark, Nina Degrads, Clive Fraser, Lynne Hale,
Ola Kolade, Stuart Millson, Ian Parker, Joy Prince and Paul Scott

Reserve Members: Margaret Bird, Pat Clouder, Sean Fitzsimons,
Bernadette Khan, Andrew Pelling, Kola Agboola, Jason Cummings,
Badsha Quadir and Jeet Bains

A meeting of the **General Purposes and Audit Committee**, which you are hereby summoned to attend, will be held on **Thursday, 21 April 2022 at 6.30 pm** in the **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX**.

KATHERINE KERSWELL
Chief Executive and Head of Paid Service
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Colin Sweeney, Senior Democratic
Services and Governance Officer
020 8726 6000 ext. 61641
www.croydon.gov.uk/meetings
Monday, 11 April 2022

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 Colin Sweeney, Senior Democratic Services and Governance Officer as detailed above.

AGENDA – PART A

1. Apologies for Absence

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

2. 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.

3. 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.

4. Minutes of the Previous Meeting (Pages 5 - 10)

The Committee is asked to approve as a correct record, the minutes of the last meeting held on 3 March 2022.

5. Minutes Action Tracker (Pages 11 - 16)

The Committee is asked to note the progress as detailed in the attached Minutes Action tracker.

6. Assurance Mapping - Next Steps (Pages 17 - 22)

The Committee will receive an update on the Council's Assurance Map (moving forward).

7. Anti-Fraud Update Report - 1 April 2021 to 31 March 2022 (Pages 23 - 28)

The Committee is invited to note the Anti-Fraud activity of the Corporate Anti-Fraud Team for the year 1 April 2021 – 31 March 2022 and the corresponding period 1 April 2020 – 31 March 2021.

8. General Purposes and Audit Committee - Annual Report 2021-2022 (Pages 29 - 40)

The Committee is to receive a report, which highlights the work of the Committee over the last year as provided within the Committee's 'Terms of Reference and Scope of Work'. It also includes a brief forward look into the year ahead on the Committee's work and developments.

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General Purposes and Audit Committee

MINUTES of the Meeting of held on Thursday, 3 March 2022 at 6.30 pm in

Present: Dr Olu Olasode (Chair);
Councillor Karen Jewitt (Vice-Chair);
Councillors Nina Degrads, Clive Fraser, Lynne Hale, Ola Kolade,
Stuart Millson, Ian Parker, Joy Prince, Paul Scott and Kola Agboola (In place of
Chris Clark)

PART A

18/22 **Minutes of Previous Meetings**

The minutes of the previous meetings held on 16 February 2022 and 10 June 2021 were agreed as an accurate record and signed by the Chair.

19/22 **Action Tracker for Minutes**

The contents of the Action Tracker were noted.

20/22 **Disclosure of Interests**

There were none.

21/22 **Urgent Business (if any)**

There were no items of urgent business.

22/22 **Council Budget 2022/23 - 2024/25**

The Committee received a report, which detailed the Revenue and Capital Budgets for the General Fund for 2022/23 (setting out further growth and savings proposals to 2024/25), the proposed Council Tax charges for 2022/23, and the revenue and capital budgets for the Housing Revenue Account [HRA].

Matt Davis, Interim Director of Finance introduced the report.

The following matters were raised by the Committee:

- a) **Covid Grants:** Members raised concerns around the total received from grants for costs of Covid-related emergencies. The Officer explained that a monthly monitoring report was published, the latest of which had projected a modest surplus on budget.
- b) **Fair Funding Formula:** Following a question from a Member, the Officer noted that central Government had a new method of supporting

Councils with their business rates, in the form of the Fair Funding Formula. It was noted that when this was introduced, it changed how much each Council received compared to the old formula methodology. The Officer also noted that Croydon was not the only local authority to have been issued a section 114 notice

- c) **Comparison to other local Boroughs:** Members highlighted concerns around the difference in funding between Croydon and other London Boroughs. The Officer explained that several variables were taken into consideration including resident population and net daily inflows. Central London typically had a higher number of commuters; due to which part of the grant reflected the number of services offered to non-residents.

23/22 **Fairfield Halls Report in the Public Interest Action Plan**

The Committee received a report providing provides an opportunity for Members to review the action plan developed in response to the recommendations made in the recent Report on the Public Interest.

John Jones, Monitoring Officer introduced the report.

The following matters were raised by the Committee:

- a) **Possibility of Fraud:** Members highlighted concerns around some of the wording in the report which could have been interpreted as suggesting actions had been fraudulent. The Officer explained that the emphasis was on abuse of position and not financial fraud.
- b) **Action Plan timeframe:** Following a question from a Member, the Officer confirmed that they intend for the initial assessment to have been completed by the end of the month.
- c) **Compliance:** Members highlighted the importance of compliance in relation to the review of Council procurement. The Officer agreed to include a recommendation around compliance within the report.

RESOLVED that having considered and reviewed the Action Plan attached at Appendix 1B to the report, together with any proposed amendments or feedback that it wished to make on the Action Plan, as detailed in Minute c), this be submitted in a report to Cabinet for consideration at its meeting to be held on 21 March 2022.

24/22 **Changes to the Constitution**

At this point in the proceedings and in line with the Council's Constitution, the Vice-Chair, Councillor Karen Jewitt, took the Chair for the following General Purposes items.

The Committee received a report asking it to recommend to the Council, changes to the Constitution, which were necessary for the implementation of the Mayoral Model of governance in Croydon following the May 2022 elections.

John Jones, Monitoring Officer, introduced the report.

RESOLVED that:

1. the changes to the Constitution, as detailed in Section 2 and set out more fully in Appendix 1 of the report, be approved and that:
 - (i) The following changes be implemented with immediate effect:
 - Section 4.22 (Emergency or Extreme Urgency) to Part 3 – Responsibility for Functions; and
 - Part 4I – Tender and Contract Regulations
 - (ii) All other changes be implemented with effect from 00.01 hours on the third day after the day of declaration of the result of the poll at the first election of the Mayor.

25/22 **Members' Scheme of Allowances**

The Committee received a report, which presented the pan-London Independent Remuneration Panel; proposed amendments to the scheme of allowances; and proposals in relation to the provision of ICT equipment to Members.

John Jones, Monitoring Officer introduced the report.

The following matters were raised by the Committee:

- a) **Standardised equipment:** Members highlighted the benefits of standardised equipment. These included ability for parts replacement, software compatibility and being universal for all; and
- b) **Security:** Members raised concerns around personal data and its security on 'personal' hardware. It was concluded for standard Council equipment to be better equipped around data protection.

RESOLVED that having considered the options detailed in the report and made recommendations on an updated scheme of Members' allowances to full Council, informed by the recommendations of the Independent Remuneration Panel and the proposal detailed in Appendix 2 to the report, together with the proposals to reintroduce directly provided ICT to Members and the elected Mayor as described in Section 4 to the report, the Committee **RECOMMEND** to Full Council that:

1. the Monitoring Officer be authorised to comply with the necessary statutory publicity requirements in respect of the Independent Review Panel report 2022; the ongoing annual publicity of the Members' scheme of allowances which was required; and the approval of the revised Members' Allowance Scheme, following consideration of proposals recommended by the Committee;
2. the General Purposes and Audit Committee be authorised to agree an annual adjustment of allowances by reference to the annual local government staff pay settlement where the only change made to the Scheme in any year was that effected by such annual adjustment; and
3. a further review of the scheme be undertaken either following the May 2022 local elections, if required, or following the publication of the further review of the remuneration of councillors due to be undertaken by London Councils' Independent Remuneration Panel during 2022-23.

26/22 **Anti-Fraud Update Report**

At this point in the proceedings, the role of Chair returned to the Independent Chair, Dr. Olu Olasode.

The Committee received a report detailing the Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2021 – 31 December 2021 and the corresponding period 1 April 2020 – 31 December 2020.

Malcom Davies, Head of Insurance, Anti-Fraud and Risk introduced the report.

The following matter was raised by the Committee:

- a) **Backlog:** Members requested details as to how long it was likely to take to clear the current backlog of cases. The Officer agreed to come back to the next Committee with more detail on this matter.

RESOLVED that the Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2021 – 31 December 2021 and the corresponding period 1 April 2020 – 31 December 2020, be noted.

27/22 **Corporate Risk Register**

The Committee received a report, which detailed the contents of the Corporate Risk Register as at March 2022.

Malcom Davies, Head of Insurance, Anti-Fraud and Risk introduced the report.

The following matter was raised by the Committee:

- a) **Deep Dive:** In response to the Officer's request for a topic to deep dive, Members concluded Culture Change.

RESOLVED that the contents of the corporate risk register, as at March 2022, be noted.

28/22 **Work Programme**

Sarah Keeble, Democratic Services and Governance Officer, introduced the report.

RESOLVED that the Work Programme 2021/22, be noted.

The meeting ended at Time Not Specified

Signed:

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Date:

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GENERAL PURPOSES AND AUDIT COMMITTEE ACTION TRACKER

Committee date	Subject	Action	Owner	Update as at 23.2.22
25 January 2022	Revisions to Annual Governance Statement (AGS)	Review the report to ensure a consistent approach to the use of dates throughout. Bring an update on progress in implementing AGS action plan to Committee soon after March 2022	Governance & Improvement Adviser Monitoring Officer	Dates revised and Statement submitted to Chief Executive and Leader for signature To be scheduled on work programme
	Revisions to the Council's Constitution	Amend article 2.1 to simplify presentation of information relating to Members and Wards be simplified. Provide update on progress on proposed changes in respect to Planning matters in the Constitution	Governance & Improvement Adviser Governance & Improvement Adviser	Information revised and included in draft constitutional changes to be reviewed by GPAC 3.3.22 Report on constitutional changes to GPAC 3.3.22 to include update on planning committee constitutional changes
Committee date	Subject	Action	Owner	Update as at 21.4.22
3 March 2022	Fairfield Halls Report in the Public Interest Action Plan	1. Considered and reviewed the Action Plan attached at Appendix 1B to the report;	Monitoring Officer	

		<p>2. Considered any proposed amendments or feedback that it wishes to make on the action plan as detailed in Minute c); and</p> <p>3. Agreed to submit that feedback in a report to Cabinet at its meeting on 21 March 2022.</p>		<p>Report submitted to Cabinet on 21 March 2022.</p>
	<p>Changes to the Constitution</p>	<p>1. Approved the changes to the Constitution as detailed in section 2 and set out more fully in Appendix 1 of the report and that:</p> <p>i) The following changes shall be implemented with immediate effect:</p> <ul style="list-style-type: none"> · Section 4.22 (Emergency or extreme urgency) of Part 3 – Responsibility for Functions · Part 4I – Tender and Contract Regulations <p>ii) All other changes shall be implemented with effect from 00.01 hours on the third day after the day of</p>	<p>Monitoring Officer</p>	<p>Constitution updated accordingly</p>

		declaration of the result of the poll at the first election of the Mayor.		
	Members Allowances Scheme	<p>1. Considered the options detailed in the report and made recommendations on an updated scheme of Members' allowances to full Council, informed by the recommendations of the Independent Remuneration Panel and the proposal detailed in Appendix 2 of the report;</p> <p>2. Considered the proposals to reintroduce directly provided ICT to Members and the elected Mayor as described in section four of the report;</p> <p>3. Recommended to Full Council to authorise the Monitoring Officer to comply with the necessary statutory publicity requirements in respect of the</p>	Monitoring Officer	Agreed by Council – 23 March 2022

		<p>Independent Review Panel report 2022; the on-going annual publicity of the Members' scheme of allowances which is required; and the approval of the revised Members' Allowance Scheme following consideration of proposals recommended by the Committee;</p> <p>4. Recommended that Full Council delegated to the General Purposes and Audit Committee authority to agree an annual adjustment of allowances by reference to the annual local government staff pay settlement where the only change made to the Scheme in any year is that effected by such annual adjustment; and</p> <p>5. That a further review of the scheme be undertaken either following the May 2022 local elections, if required, or following the publication of the further</p>		
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		review of the remuneration of councillors due to be undertaken by London Councils' Independent Remuneration Panel during 2022-23.		
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KEY:

Committee date: date when the action was agreed by the Committee.

Subject: the item title on the Committee's agenda; the subject being considered.

Action: the action recorded in the minutes, including any agreed deadline for completion.

Owner: the Member or officer responsible for implementation of the action, as recorded in the minutes.

Update: progress update as at the deadline for agenda dispatch.

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REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 21 April 2022
SUBJECT:	ASSURANCE MAPPING: NEXT STEPS
LEAD OFFICER:	STEPHEN ROWAN, HEAD OF DEMOCRATIC SERVICES AND SCRUTINY
ORIGIN OF ITEM:	The Chair has requested an update on next steps to the introduction of assurance mapping as part of the work of the Committee.
BRIEF FOR THE COMMITTEE:	To consider the proposed approach to assurance mapping as set out in the report.

1. EXECUTIVE SUMMARY

- 1.1 Assurance mapping is recognised as a good tool to support Audit Committees in their role of providing independent assurance of the organisation’s internal controls and risk management. It is proposed to use this technique to plan and prioritise the Committee’s work programme for 2022/23 so that the Committee fulfils its terms of reference.

2. ASSURANCE MAPPING

- 2.1 In March 2022, Full Council agreed changes to the Constitution to take effect from the date that the elected Mayor comes into office as follows:

- General Purposes and Audit Committee will be separated into:
 - Audit and Governance Committee
 - General Purposes Committee
- The terms of reference of Audit and Governance Committee (listed at Appendix 1) more closely reflect the CIPFA model terms of reference for local authority audit committees than the current Committee’s terms of reference.

- 2.2 Assurance mapping is a structured means of identifying and mapping the main sources and types of assurance in an organisation and the relevant evidence for that assurance. An organisational assurance map can assist in identifying any areas of concern, and hence where the Committee’s attention should be focused to enable it to fulfil its terms of reference. It will therefore be a useful tool to inform the development and prioritisation of the Committee’s work programme for 2022/23.

- 2.4 Following the confirmation of Committee membership at Annual Council in May 2022, an induction session for members of the Committee (and reserves) will be held on 1st June. Once members have a shared understanding of the Committee’s role and responsibilities, it will be appropriate for the Committee to plan and prioritise the work programme for the coming year.

2.5 The Local Government Association (LGA) has offered to support work with the Committee to develop and review the Council's assurance map. The Chair of the Committee and relevant officers will work with the LGA to plan a session for the Committee in June/ July which will develop an assurance map and plan a work programme in light of that map and the Committee's terms of reference.

2.6 This work will be carried out within existing resources.

3. RECOMMENDATIONS

3.1 The Committee is recommended to agree to use assurance mapping to inform the planning of its work programme for 2022/3.

CONTACT OFFICER: Colin Sweeney
Senior Democratic Services and Governance Officer
020 8726 6000 x84246

BACKGROUND DOCUMENTS: None.

APPENDICES: 1 – Audit and Governance Committee terms of reference

APPENDIX 1: Audit and Governance Committee terms of reference

Audit and Governance Committee

(Membership 7 including independent, suitably qualified Chair who may not be a Member or officer of the Council and one independent, suitably qualified co-optee)

Purpose

The Audit and Governance Committee provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The Committee's purpose is to:

1. provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment;
2. oversee internal and external audit, helping to ensure that efficient and effective assurance arrangements are in place;
3. provide independent review of the Council's governance, risk management and control frameworks
4. oversee the financial reporting and annual governance processes and
5. provide independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

Governance, risk and control

1. To monitor the effective development and operation of the Council's risk management arrangements, the control environment and associated anti-fraud, whistleblowing and anti-corruption, strategies, actions and resources. To consider a quarterly report on whistleblowing activity in the Council.
2. To monitor progress in addressing risk-related issues reported to the committee. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
3. To consider the Council's framework of assurance,—including the Statement on Internal Control, and ensure that it adequately addresses the risks and priorities of the Council. To review the Council's corporate governance arrangements against the good governance framework and consider the local code of governance. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.
4. To review the governance and assurance arrangements for significant partnerships or collaborations. To ensure appropriate arrangements are in place in relation to any subsidiary bodies controlled by the Council.

5. To consider the effectiveness of the Council's policies, standards and processes for transparency, ensuring that they meet Government requirements and take into account best practice.
6. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To approve the internal audit charter.

Internal audit

8. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To periodically review safeguards to limit such impairments.
9. To review (but not direct) internal audit's risk-based strategy, plan and resource requirements, the approach to using other sources of assurance and any work required to place reliance on those other sources. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
10. To review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
11. To receive the annual report of the Head of Internal Audit and make recommendations as appropriate to management, Cabinet and/or Full Council. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services and make recommendations as appropriate to management, Cabinet and/or Full Council.
12. To advise and recommend on effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
13. To contribute to the Quality Assurance Improvement Programme and in particular to the external quality assessment of internal audit.
14. To provide free and unfettered access to the Committee Chair for the head of internal audit, including the opportunity for a private meeting with the Committee.

External audit

15. To consider the external auditor's annual assessment of its independence and

review any issues raised by Public Sector Audit Appointments Ltd.

16. To make recommendations to Council relating to the appointment of the external auditor.
17. To consider the reports of external audit and inspection agencies and make recommendations as appropriate to management, Cabinet and/or Full Council. To review the external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
18. To comment on the scope and depth of external audit work and ensure it gives value for money.

Financial reporting

19. To review the annual statement of accounts and specifically to consider whether appropriate accounting policies and the CIPFA Financial Management Code have been followed, and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

Accountability and escalation

20. To report to the full Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
21. To make an annual report to the full Council on the Committee's performance in relation to its terms of reference and the effectiveness of the Committee in meeting its purpose.

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REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 3 March 2022
SUBJECT:	Anti-Fraud Update Report 1st April 2021 – 31 March 2022
LEAD OFFICER:	Malcolm Davies, Head of Anti-Fraud, Risk & Insurance
CABINET MEMBER	Councillor Callton Young Cabinet Member for Resources and Financial Governance
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 2021/22 was £300,000 and the service was 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 year 1 April 2021 – 31 March 2022 and the corresponding period 1 April 2020 – 31 March 2021

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 1 April 2021 – 31 March 2022 and a comparison with 2020/21.

3. DETAIL

Performance 1 April 2021 to 31 March 2022

- 3.1 The CAFT comprises 8 staff (7.4 FTEs), including two tenancy and two corporate investigators, an Intelligence Officer, two financial investigators and a team leader position. The CAFT investigates allegations of fraud or corruption which affect the Council's business. In addition, the team generates an income by providing a services to other London Boroughs. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 The team has begun to return to the full range of duties and many of the ways of working it deployed before last year's lockdowns, including visiting residents and businesses and face to face interviewing within the civic centre. Performance targets for the team were reduced slightly from the previous year to reflect a reduced workforce and to ensure they remained SMART but in the event these targets have been met/exceeded.
- 3.3 There are local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below detailing the number of successful outcomes and their value. Table 2 shows a breakdown of *all* cases investigated/closed by the team irrespective of outcome.

Table 1 – Key performance indicators

	20/21 PERFORMANCE	ANNUAL TARGET 21/22	21/22 PERFORMANCE
Successful Outcomes	107	100	119
Identified Overpayments & Savings	£985,107	£850,000	£1,055,620

Table 2 - Breakdown of Total Cases actioned from 1 April 2021– 31st March 2022 compared to 2020/21

2020/21	2021/22
Blue badge 37	Blue badge 19
Corp - mandate fraud 4	Corp. Other 4
Council tax rebate 7	Council tax rebate 21
Covid19 discretionary grant 1	Covid19 additional restriction grant 8
Covid19 hospitality grant 2	Covid19 discretionary grant 4
Covid19 small business grant 6	Covid19 small business grant 15
Financial investigation other 38	Direct payments 1
	Financial investigation other 37

Financial investigation - trading standards 18 Housing application 17 Housing illegal sub-let 1 Housing non-occupation 9 Housing other housing fraud 12 Housing right to buy 3 Housing succession 1 National fraud initiative 2018/19 9 No recourse to public funds 1 Pensions 1 Safeguarding 2 Schools 2 Single person discount fraud 4 Staff - internal misconduct 10	Financial investigation - trading standards 3 Housing application 17 Housing illegal sub-let 18 Housing non-occupation 10 Housing other housing fraud 4 Housing right to buy 6 Housing succession 5 National fraud initiative 2018/19 2 No recourse to public funds 4 Planning 1 Safeguarding 5 Single person discount fraud 4 Staff - internal misconduct 7
Total 185	Total 200

3.4 Case Study:

Bank Mandate Fraud Detection and Prevention. £1.3M Fraud Attempt Thwarted.

In February the Corporate Anti-Fraud Team (CAFT) received a referral from the Accounts Payable team regarding a request to change bank account details for one of our trusted big providers. Outstanding invoices totalled well over £1.3m.

The officer had received an email which on the face of it appeared to come from a trusted supplier and named an officer within their payment team whom she had dealt with many times before. In fact the email was a clever scam which had been spliced onto a real and genuine email trail between the two organisations chasing payment for outstanding invoices. The names of the trusted officers from the supplier had been 'high-jacked' and 'lookie-like' email addresses and telephone numbers had been faked to make it appear genuine.

The LBC officer feared something was wrong due to the wording of the email and urgency by which they required payment and so following the correct Croydon procedures, the officer explained that if the bank accounts had changed they would have to be updated via the Croydon supplier portal. The officer then referred the emails and invoices to CAFT for further investigation.

Immediate action from CAFT Financial Investigators and Corporate Fraud Officers found the following:

- Liaison with the provider's Cyber Security team confirmed the email address was fake and had been created with the wording only very slightly different so as not to be noticed by the email recipient.

- The ‘new’ bank account and company name was checked by the Financial Investigator with the bank in question. There was no trace of the company on national records.
- A call was put in to the ‘trusted’ member of staff to confirm their identity. A few questions quickly identified they were not who they said they were.
- CAFT confirmed with the provider’s Director of Finance that bank accounts had not been changed.

Liaison with the provider’s National Counter Fraud managers enabled them to share the information nationally and with police and other investigators so it could not be used again by the fraudsters.

The initial scrutiny and diligence of the Accounts Payable Officer and swift action by the CAFT team prevented this from becoming a large-scale bank mandate fraud against LBC and is a good example of the risk controls and proactive work of the CAFT in protecting the council from attempted fraud.

4. INVESTIGATIONS

4.1 Fraud investigations relate to a broad section of service areas within the Councils including:

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

4.2 Due to some recent staff turnover/gaps in the team, some interim anti-fraud management support has been brought in from Lambeth LB’s anti-fraud team to support the Croydon team. This arrangement is working particularly well and builds on previous joint work with Lambeth and is being kept under review.

5. LOCAL GOVERNMENT TRANSPARENCY CODE

5.1 Members will be aware of the Local Government Transparency Code 2015 which requires Councils to publish data about various areas of their activities. Included in the 2020/21 code is detail on Counter Fraud work, most of this information has always been reported to committee; however below are some additional areas which we are required to make public. The figures detailed below are for the period from 1 April to 31 March 2022:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	6
Total number of employees undertaking investigations and prosecutions relating to fraud	9

Total number of full-time equivalent employees undertaking investigations and prosecutions of fraud	8.4
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

6. FINANCIAL AND RISK ASSESSMENTS

- 6.1 The net budget provision for the anti-fraud service for 2021/22 was £300,000 and the service was delivered within budget.
- 6.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Nish Popat, Interim Head of Finance, Resources)

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 7.1 The Head of Litigation and Corporate Law comments on behalf of the interim Director of Legal Services and Deputy Monitoring Officer that the Corporate Director of Resources and Chief Finance Officer has a statutory responsibility under the Local Government Act 1972 section 151 to make arrangements for the proper administration of the Council's financial affairs. This includes the prevention, detection and investigation of fraud and corruption and where appropriate, the prosecution of offenders.
- 7.2 The Council also has a duty under the Crime and Disorder Act 1998 section 17 to do all it can to prevent crime and disorder.
- 7.3 The Anti-Fraud and Corruption Strategy is part of a framework of policies designed to support the Council with complying with these responsibilities to minimise losses due to fraud and corruption. The Strategy cross-references other Council policies and strategies including the Members' Code of Conduct; Officers' Code of Conduct; Whistle-blowing Policy; Financial Regulations, Contract and Tender Regulations and the Nolan Principles of Public Life which also support the Council with its responsibilities to prevent, detect and investigate fraud and corruption.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the 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 employees or staff or workers.

Any impacts arising will be managed under the Council's HR policies and procedures.

(Approved by: Gillian Bevan, Acting Head of HR – Resources and Assistant Chief Executives 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: Jane West, Corporate Director of Resources & S.151)

CONTACT OFFICER: Malcolm Davies (Head of Anti-Fraud, Risk & Insurance)

General Purposes & Audit Committee

Annual Report 2021/22

Foreword

It is my pleasure to present this annual report for the General Purposes and Audit Committee for 2021/2022 to Full Council.

This report highlights the work of the Committee over the last year as provided within the Committee's 'Terms of Reference and Scope of Work'. It also includes a brief forward look into the year ahead on the Committee's work and developments.

I would like to thank the officers, external auditors, cabinet members, other committee chairs, professional advisers, and of course, members of the General Purposes and Audit Committee for their input and support to the work of the Committee. I also thank the former Chair of the Committee, now Vice Chair, Cllr Karen Jewitt, for chairing this committee prior to my appointment in October 2021 and for her support after I took up my post.

It has been another eventful year with the publication of a second Report in the Public Interest (RIPI2) by the external auditors at a time of ongoing work by the Committee, following the first Report in the Public Interest, to strengthen its work in providing independent assurance on the Council's internal control, governance risk management, internal audit, anti-fraud, external audit, and financial reporting.

Some of the actions taken included a review of the Committee's terms of reference and the recruitment of an independent chair for the General Purposes and Audit Committee, which led to my appointment. Other future and ongoing actions to strengthen the Committee and its work are also outlined in this report, including development activities for Committee members, development of an assurance map, strengthened relationship with the Council and other Committees, introduction of an action tracker for decisions and key issues, and greater use of benchmarking, peer and best practice reviews.

It is clear that we are on a journey of improvement and transformation, which may take some time to manifest in improved outcomes for the people of Croydon. Whilst we acknowledge the challenges of the past, we embrace the ongoing quick wins and pursue greater outcomes for the Council and its residents.

The Committee intends to spend some time to review its work plan for 2022/2023 to ensure that it remains robust and effective in providing independent assurance across all areas within its terms of reference, as outlined in the next few pages of this report.

Once again, I thank my colleagues on the Committee, the Council's Chief Executive and her team, and all members of the Council for their support to the work of the Committee during the year.

Dr Olu Olasode PhD APSA FCCA
Independent Chair
General Purposes and Audit Committee

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 2021-22, outlining the progress in:
 - Internal Control;
 - Governance;
 - Risk management;
 - Internal Audit;
 - Anti-fraud;
 - External Audit;
 - Financial reporting
3. This report also looks forward to 2022-23 and highlights some of the changes and improvements planned.
4. Members of GPAC have a wide range of skills and bring both technical and professional experience to the role. Table 1 details the Committee Members for 2021-22.

Table 1: Members of the General Purposes & Audit Committee 2021-22

Role	Membership on 1 April 2021	Membership on 31 March 2022
Independent Chair	-	Dr Olu Olasode
Chair	Councillor Karen Jewitt	-
Vice-Chair	Councillor Stephen Mann	Councillor Karen Jewitt
Member	Councillor Chris Clark	Councillor Chris Clark
Member	Councillor Nina Degrad	Councillor Nina Degrad
Member		Councillor Clive Fraser
Member		Councillor Lynne Hale
Member		Councillor Ola Kolade

Member	Councillor Stuart Millson	Councillor Stuart Millson
Member		Councillor Ian Parker
Member	Councillor Joy Prince	Councillor Joy Prince
Member	Councillor Paul Scott	Councillor Paul Scott
Member	Councillor Jan Buttinger	
Member	Councillor Steve Hollands	
Member	Councillor Tim Pollard	
Reserve Members:	Councillors: Pat Clouder;; Sean Fitzsimons; Bernadette Khan; Clive Fraser; Andrew Pelling; Jason Cummings; Badsha Quadir; Ian Parker and Simon Hoar.	Councillors: Margaret Bird; Pat Clouder; Sean Fitzsimons; Bernadette Khan; Andrew Pelling; Kola Agboola; Jason Cummings; Badsha Quadir and Jeet Bains.

5. Full Council, at the meeting held on 11 October 2021, approved amendments to the constitution, which included enabling the creation of the role of an Independent Chair of General Purposes and Audit Committee (GPAC) and arrangements for appointment of the role (Article 8, Part 3, Part 4F). The Appointments Committee subsequently appointed Dr Olu Olasode to the role of Independent Chair, with Dr Olasode chairing his first meeting on 20 October 2021. Councillor Karen Jewitt, who had been the Chair of GPAC prior to this date, then assumed the position of Vice-Chair replacing Councillor Stephen Mann.
6. Other changes to the Committee during the year were as follows:
 - a. From the 16 September 2021 meeting: Councillors Hoar and Clancy replaced Pollard and Buttinger as Members of the Committee and Councillor Bains replaced Councillor Hoar as a reserve. Councillor Agboola was also appointed to the vacant reserve spot.
 - b. From the 16 February 2022 meeting: Councillors Fraser, Hale, Kolade and Parker replaced Councillors Mann, Hoar, Clancy and Hollands. Councillor Bird replaced Councillor Parker as a reserve.
7. On 22 November 2022 committee members attended a learning and development session. Led by the Local Government Association, the session was designed to address training requirements identified in the Report in the Public Interest, and included:
 - Roles and responsibilities of the Committee (and officers reporting to it)
 - Understanding the control system

- Risk management
- Appropriate challenge and escalation.

The work of the Committee in 2021-22

Internal Control

8. 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.
9. The Committee leads this review by receiving, at every meeting, reports on these service areas.
10. 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 these. It also invites officers to give explanations where significant issues are identified through internal audits.

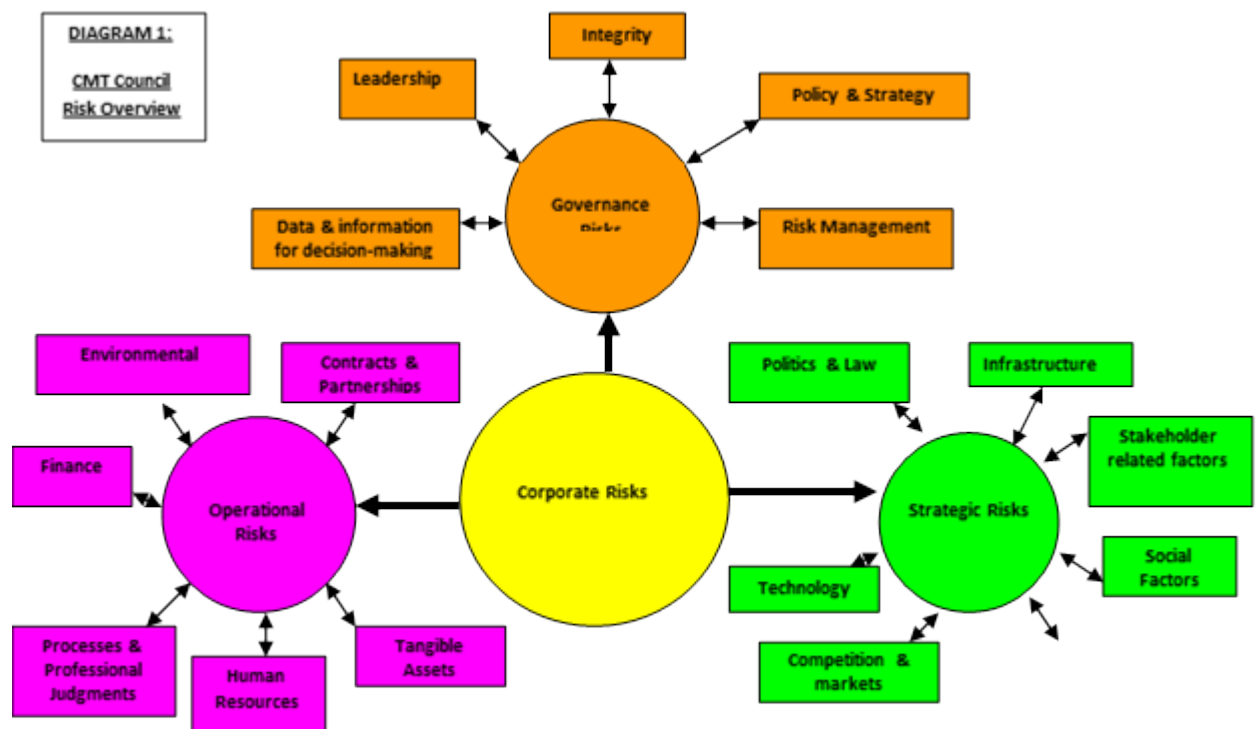
Governance

11. Following the issue of a Report in the Public Interest (RIPI) concerning the Council's financial position and related governance arrangements by the Council's external auditor, Grant Thornton, on 23 October 2020, the Corporate Risk Register was amended to include two red risks relating to governance, which were worded as follows:
 - RCS0034 - Poor financial control and ineffective application of governance arrangements continues to lead to an unstable financial situation, including contract spend and pressures in our major partnership areas including the NHS.
 - RCS0037 - Further deterioration in Internal Control & Governance as a result of capacity, budget and resourcing constraints in the organisation.
12. The Council also identified the need to make a range of further improvements to governance, some of which responded to RIPI recommendations, as follows:

- To review and revise the Member Code of Conduct (completed October 2021 and mirrored in revisions to the Officer Code of Conduct)
 - To review and revise the Protocol on Staff-Councillor Relations (completed January 2022)
 - To draft an Access to Information Protocol for inclusion in the constitution (completed January 2022)
13. A Governance Improvement Adviser was provided at no cost to the Council (on secondment from the Local Government Association) to support this work. The drafts were reviewed by Ethics Committee prior to finalisation and presentation to the Committee as part of a package of constitutional changes.
 14. Further governance improvement work has included work to review and revise the Council's whistleblowing policy (completed March 2022: the Committee will be updated on this work in the new municipal year).
 15. Following the referendum in October 2021, revisions to the constitution were required in preparation for the mayoral model of governance. Led by a cross-party member working group, this work ensured that provisions for transparency and scrutiny were embedded in the new arrangements. The Committee considered the draft proposals in March 2022 prior to recommending these to Council.
 16. The process of reviewing and revising the Code of Governance and preparing the Annual Governance Statement led to the identification of a programme of further improvement work which was reviewed by the Committee: the implementation of this programme will be reported to the Committee ongoing.

Risk Management

17. The Council has a formal risk management framework that is modelled on best practice activities operated within all local authorities and other public sector organisations. This framework sets out the requirements and responsibilities for the management of risk for all employees and includes activities such as a quarterly review and reporting process for the Corporate Management Team (CMT) and Department Management Teams (DMTs).
18. The Council's key strategic risks are identified, recorded and reviewed continuously to ensure integration between the risk management framework and the strategic, financial and performance management frameworks using the reporting framework detailed in Diagram 1. Work to strengthen corporate risk management this year has included:
 - a. CMT formally reviewing all red risks on a monthly basis.
 - b. Every corporate risk owner, Director and Corporate Director being formally required to review and sign off their risks via the JACD corporate risk system on a quarterly basis with a formal audit trail to assure compliance.

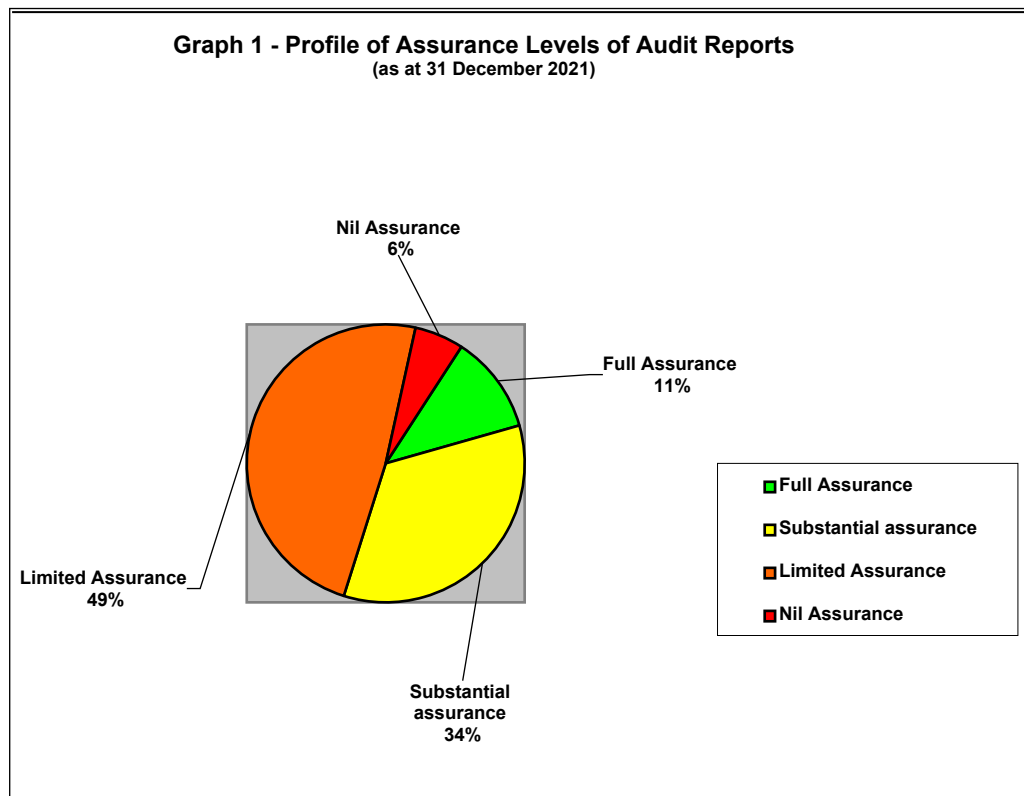


19. The Committee, at every meeting, received a report on either corporate rated 'red' risks or a 'deep dive' on a specific identified 'high rated' risk. Committee members by reviewing the current 'high rated' risks and conducting 'in-depth' reviews of risks have sought to scrutinise and receive assurance on the application of the risk management framework in the organisation. Examples of these 'deep dives' during the year included looking at Domestic Abuse and Sexual Violence (April 2021), an update on Oracle Security (June 2021), an update on the Dedicated Schools Grant (DSG) Management Plan (November 2021), the Whitgift Centre (January 2022) and the procurement, implementation and effectiveness of the CareCubed costing tool for working age adult and children's social care placements (February 2022).

Internal Audit

20. The Audit Charter, Audit Strategy and the Internal Audit Plan for 2020/21 were approved by the Committee on 4 March 2019.
21. During the year, the Committee received several reports from Internal Audit, updating them on Internal Audit progress against the plan and high-risk issues identified. This included Internal Audit's Annual Report for 2020/21 which provided an overall annual opinion of 'Limited' assurance and drew attention to those specific areas of weakness that should be carried forward into the Annual Governance Statement.
22. Internal Audit activity reports received by the Committee throughout the year continue to identify areas where control environment improvement is identified upon audit and graph 1 shows that, as per the last Internal

Audit update report of results up to 31 December 2021, only 45% of audits had full or substantial assurance. This is a slight improvement on the previous year.



23. Although the decline in results of formal audits completed so far has slowed and much work has been done across the organisation since the Report in the Public Interest was issued by the External Auditor and the 2020-21 Limited Assurance in the Head of Internal Audit's Annual Report, other indicators are suggesting that internal control still has some way to go to be properly embedded and it is anticipated that the assurance in this year's Head of Internal Audit's Report will again be limited. These other indicators include, inter alia, the continuous auditing results and general support issues identified, several organisation wide audit reports that are still draft but are currently unsatisfactory, and the several external reports published during the year identifying issues with internal control, governance and good practice.
24. 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.
25. The Committee has continued to emphasise the importance of implementing Internal Audit's recommendations and has supported Internal Audit in its work to ensure control weaknesses are effectively dealt with. The Committee has received regular updates on the status

of outstanding recommendations, and where appropriate has requested further information.

26. Table 2 details the performance in this area in all follow up work completed since 1 April 2017 (up to 31 December 2021).

Table 2: Implementation of Agreed Actions to date

	Target	2017/18	2018/19	2019/20	2021/22
Percentage of priority one agreed actions implemented at the time of the follow up audit	90%	100%	94%	84%	58%
Percentage of all agreed actions implemented at the time of the follow up audit	80%	94%	92%	86%	69%

Anti-Fraud

27. As part of the Committee's role of overseeing the antifraud and corruption strategy, the refreshed Anti-Fraud & Corruption Strategy was approved at the 25 November 2021 meeting.
28. During the year the Committee received regular updates on the counter-fraud work undertaken by the Council's Anti-fraud team and noted the continued good results concerning proactive fraud identification and reactive investigation work, namely that between 1 April 2021 and 31 March 2022 the Anti-Fraud team had identified in total over **£985k** with 127 successful outcomes. Furthermore, that 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:
- 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.
 - Maintaining fraud reporting facilities, including a fraud hotline and dedicated email reporting facility.
29. 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 which remains high, at 601 in 2021-22.

External Audit

30. 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 (PSAA). GT works in partnership with the Council ensuring its governance processes are effective. GT are invited to all of the Committee meetings, where they provide regular updates.
31. It should be noted that both the production of accounts, and external audit timescales were delayed for 2019/20 both as a result of COVID-19 but also due to a number of detailed comments on the draft reports.

There are a number of significant issues relating to the Council's activities in particular those relating to Brick by Brick and Croydon Affordable Homes/Croydon Affordable Tenures, which mean that the accounts were not completed by the statutory deadline of 30 November 2020 and may take some time for this to be completed until all of these issues are resolved. The Committee has received individual reports on these individual issues.

32. The Committee, at the meeting held on 16 February 2022, approved that the external auditor for the Council and for the pension fund for the audit years 2023/2024 to 2027/2028 should be appointed by PSAA. This was ratified by full Council at the meeting held on 7 March 2022. The formal procurement process by the PSAA is already underway, with the objective of enabling all auditor appointments to be in place by 31 December 2022.

Financial Reporting

33. The 2020/21 accounts cannot be completed until the 2019/20 Audit is completed (refer to paragraph 31 above). This has resulted in the 2020/21 accounts not being completed by the statutory deadline of 30 November 2021 and therefore these have not yet been reported to Committee. Until the issues referred to in para 32 are resolved the timing for the audit of the 2021/22 accounts cannot be firmed up.
34. The Committee has received other financial reports, such as the update report on the Implementation of the Croydon Finance Review (April 2021), the Financial Performance report in October 2021 and a verbal update on the Council's Medium Term Financial Strategy (March 2022).

The year ahead

Continuing to Strengthen the audit function of the Committee

35. Constitutional changes proposed by the Committee and approved by Full Council in March 2022 include the separation of this Committee into two: Audit and Governance Committee and General Purposes Committee. Membership of the committees will be confirmed at the Annual Council meeting to be held on 25 May 2022. Terms of reference for the Audit and Governance Committee are based on a model provided by CIPFA.
36. Audit and Governance Committee members will attend a training session on the basics of the role of the Audit and Governance Committee on 1 June 2022 (delivered by the Local Government Association). Following this, a facilitated session is planned on assurance mapping, whereby the various sources of assurance provided to the Committee will be mapped to its terms of reference. This will help inform the Committee's forward plan.
37. The Committee also look to strengthen its relationships and working relationships within the Council, for instance with the Ethics and the Scrutiny Committees. A development session for members of Audit and

Governance and Scrutiny Committees to support understanding of mutual roles will be held as part of the Member Induction programme.

38. The first Audit and Governance Committee meeting is scheduled for 9 June 2022, when the use of an 'actions tracker' will be fully implemented (after being discussed and developed during 2021/22) to help monitor the implementation of actions arising from each Committee meeting. This first meeting will also include some agenda items carried over from the pre-election period, such as the approval of the annual audit plan and the review of a risk area.
39. It is also intended that the Committee continues to look externally, through the use of benchmarking, peer and best practice reviews to improve and keep abreast of new developments, which will feed into ongoing member development sessions.

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