

General Purposes & Audit Committee Agenda



To: Councillor Karen Jewitt (Chair)
Councillor Joy Prince (Vice-Chair)
Councillors Jeet Bains, Jan Buttinger, Sherwan Chowdhury,
Jason Cummings, Patsy Cummings, Mike Fisher, Patricia Hay-Justice,
Bernadette Khan and Muffaddal Kapasi

Reserve Members: Carole Bonner, Pat Clouder, Maddie Henson,
Steve Hollands, Humayun Kabir, Dudley Mead, Andrew Rendle,
Donald Speakman, James Thompson and John Wentworth

A meeting of the **General Purposes & Audit Committee** which you are hereby summoned to attend, will be held on **Thursday, 15 March 2018 at 6.30 pm** in **Council Chamber - Town Hall**

JACQUELINE HARRIS-BAKER
Director of Law and Monitoring Officer
London Borough of Croydon
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Michelle Gerning
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www.croydon.gov.uk/meetings
Wednesday, 7 March 2018
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Members of the public are welcome to attend this meeting.
If you require any assistance, please contact the person detailed above, on the right hand side.

N.B This meeting will be paperless. The agenda can be accessed online at www.croydon.gov.uk/meetings

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 - 12)

To approve the minutes of the meeting held on 7 December 2017 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. Update Report Local Government Ombudsman

Verbal update on Learning Outcomes following Local Government Ombudsman Report as requested at the 20 September 2017 meeting.

6. Substance Misuse Internal Audit Update 2014/2015

A presentation of the Substance Misuse Internal Audit Update 2014/2015.

- 7. Grant Thornton Reports (Pages 13 - 50)**
To receive Housing Benefit Certification Report 2016/2017 and External Audit Reports of 2017/18 for London Borough of Croydon and Croydon Pension Fund.
- 8. Internal Audit Charter, Strategy and Plan (Pages 51 - 68)**
The report of the Internal Audit Charter, Strategy and the plan of audit work for 2018/19 is attached.
- 9. Internal Audit Update Report (Pages 69 - 94)**
This report details the work completed by Internal Audit so far during 2017/18 and the progress made in implementing recommendations from audits completed in previous years.
- 10. Anti-Fraud Update Report (Pages 95 - 102)**
This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2017 – 31 January 2018.
- 11. Corporate Risk Register (Pages 103 - 112)**
The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at 15 March 2018.
- 12. General Purposes and Audit Committee Annual Report 2017-2018 (Pages 113 - 124)**
The General Purposes and Audit Committee Annual Report 2017-2018 is attached.
- 13. Exclusion of Public and Press**
The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

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

PART B

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Agenda Item 2

General Purposes & Audit Committee

Meeting of held on Thursday, 7 December 2017 at 6.30 pm in F10 - Town Hall

MINUTES

Present: Councillor Karen Jewitt (Chair);
Councillor Joy Prince (Vice-Chair);
Councillors Jeet Bains, Jan Buttinger, Sherwan Chowdhury and
Patsy Cummings, Stebe Hollands

Also Present: Councillor Simon Hall and Louisa Woodley

Apologies: Councillor Mike Fisher, Patricia Hay-Justice and Bernadette Khan

PART A

35/17 Minutes of the Previous Meeting

RESOLVED: That the minutes of the meeting held on 20 September 2017 be signed by the chair as an accurate record of the meeting subject to the inclusion of Councillor Bernadette Khan in the list of Members present at the meeting.

36/17 Disclosure of Interests

There were none.

37/17 Urgent Business (if any)

There were no items of urgent business.

38/17 SEN Transport Update

The Director of Commissioning and Improvement gave a presentation to the Committee which included an introduction to the Council's obligations on provision as part of its statutory service.

The Committee was informed that there had been a rise in budget versus spending gap between 2015-2018, with a £3million over spend in 2017/2018 which was attributed to the following external factors:

- Increase in children with Education, Health and Care Plans (EHCP).
- Increase in complexity of needs of children.
- Increase in children travelling across and outside of the Borough.

Officers informed the Committee that this was a regional problem, 26 out of 30 boroughs had experienced a budget overspend on SEN transport in 2016/2017. Croydon had been managing a portfolio of increase demand on services of 14.3% with increased costs of 19.1% against a budget reduction of £1.548million in 16/17 and 17/18. There had been a 40% increase in children with EHCP in the last three years and there had been tangible progress made in reduction of costs against increase of service users.

In order to maintain control and manage the risks associated with spending, the department had put in place strategies to address areas of focus which included:

- Working effectively with families
- Partnership with finance and robust financial monitoring
- Integrated working with adult social care
- Robust governance arrangements
- Working effectively with colleagues in Special Education Needs Department (SEND)
- Alternative travel arrangements

Future strategies had been put in place to increase control including:

- Continued review of travel policy
- Continued integration and partnership working across services
- Increased focus and review of high cost routes

Members questioned the work that had been carried out in the last three years to ensure that children with SEN are educated in the borough and the facilities available to families. Officers responded that there had been an increase in classroom provision in special schools and there was an ongoing programme for expansion of schools. There would be a free school opening in 2019 with 100 places for children with Autism. There was also a bid that had been put in to Croydon College to expand its facilities for 16-19 year olds.

In response to Members' queries on savings that had been made and what was being done to maintain the use of local provision, officers advised the Committee that there was a constant review of service providers to ensure that the best local provision was utilised. There had also been a mitigation of £1million per year through savings and efficiencies.

The Committee queried the model for reduction of financial risks. Officers informed Members that all Councils were working together to discuss the impact of government funding issues and how to manage the situation. It was acknowledged that it was problematic to develop working together as the needs of families were localised and individual to each borough. There was extensive work being carried out to encourage independence through the use of personal travel budgets, independent travel training and assisted technology.

The Committee Members commented that they would welcome detailed information on savings made.

RESOLVED: That

1. The content of the SEN transport update report be noted.
2. That further details of savings made be circulated to Members of the Committee.

39/17 **Appointments**

The Committee noted the content of the report and that the report had been circulated on the day of the meeting. The Committee specified that all reports be circulated in sufficient time to enable Members to make suitable recommendations.

Members commented that the appointment of the non-voting representatives for the Corporate Parenting Panel must follow a structured and ethical process of selection.

Members requested that details of non-voting representatives appointed to the Corporate Parenting Panel be circulated to the Committee.

RESOLVED: That

1. The revised composition and appointments to the Corporate Parenting Panel as detailed in paragraph 3 of the report be agreed and that authority to appoint named representatives be delegated to the Executive Director People in consultation with the Chair of the Corporate Parenting Panel;
2. The recent appointments made under either delegated powers or the Leaders' authority as detailed in paragraphs 4.1- 4.7 of the report be noted; and
3. That Full Council be recommended to make the appointments detailed in paragraph 4.8 to 4.9.
4. That details of non-voting representatives appointed to the Corporate Parenting Panel be circulated to the Committee.

40/17 **Local Government Ombudsman Report**

The Director of Adult Social Care and All Age Disability introduced the report which detailed the actions taken by the department following a complaint made by a service user to the Local Government Ombudsman (LGO).

As a result of investigative work carried out by the LGO, recommendations were made which were accepted by the Council and had been completed within the stipulated time scale.

The Committee learned that the family had taken this case to the LGO due to failings in continuity of care. The family had moved into the borough from Surrey and the department was not notified that the family had moved to Croydon.

The Committee was informed that the LGO was right to have taken on this case to highlight the failing of both Local Authorities. As a result, actions had been embedded into processes to prevent future failings that included the following:

- Review of procedure to ensure compliance with the Community Care Act
- Training and lessons learnt sessions for staff
- Extensive recruitment and retention programmes
- Focus on Customer Care
- Proactively working with families to ensure best outcomes
- Implementation of improvement plan
- Recruitment of permanent, qualified and experienced members of the Complex Care Panel

The Committee was advised that engagement with the family had been consistent and that the young person was being supported through the transition to adult services.

In response to a Member's query as to whether this case would have been picked up had it not been brought to the attention of the LGO, Officers advised that the case had come to their attention shortly before a complaint was made to the LGO and the Council had been partially supporting the family whilst fact finding was in process.

Moving forward the Committee was informed that there was a review register of all current cases. The focus was on improving caseloads, meeting compliance and working closely with all colleagues. Cases were being scrutinised and would continue to be scrutinised to ensure that needs were prioritised accordingly.

The Committee learned that prior to the changes to the Care Act, there had been flaws in continuity of care for service users moving in and out of boroughs, this had been a regional issue. The Care Act has set out and made clear the duties and obligations of Councils towards the care of service users. Authorities now actively shared information where necessary when families are moving around the country.

The Committee welcomed the update and commended the team for the actions that had been taken and the processes that had been embedded as a result of the lessons learned.

RESOLVED: That the Council's response to the Local Government Ombudsman report be noted.

41/17 **Council Meeting Dates 2018/19**

The committee noted the content of the report.

RESOLVED: That

- 1 The schedule of Full Council meeting dates for 2018/2019 as detailed in paragraph 3.2 of the report be agreed;
- 2 The schedule of Cabinet meeting dates for 2018/2019 as detailed in paragraph 3.3 of the report be noted; and
- 3 The proposed schedule of remaining meeting dates for 2018/19 as detailed in Appendix 1 of the report also be noted.

42/17 **Grant Thornton Annual Audit Letter**

Jamie Bewick, Grant Thornton presented the Annual Audit Letter which summarised the key findings arising from the work carried out on the 2016/17 accounts.

Grant Thornton concluded that the Council's use of resources were satisfactory and that the arrangements in place to ensure economic efficiency were effective. The quality of financial statements were found to be good as they have been in previous years. The challenge for the next year would be to ensure that processes were more efficient in order to meet shorter reporting deadlines.

The Committee was informed that a response was being drafted to the objection received to the PFI initiative and once that had been shared the audit would be concluded for 2016/2017.

The Chair thanked the Grant Thornton representative for the work completed.

RESOLVED: That the summary of key findings arising from the work carried out for the period 1 April 2016 – 31 March 2017 be noted.

43/17 **Treasury Mid-Year Review**

The Head of Pensions and Treasury presented the report which provided a review of the activities up to September 2017.

The Committee was informed that performance in all areas demonstrated compliance with indicators set by Council. There had been a reduction in cash holdings to reduce treasury functions and there had been a generation of better return on cash investments against benchmarks. There was an expectation of additional rate increases in the coming period by the Bank of

England.

The Chair thanked officers for their report.

RESOLVED: That

1. The contents of the report be noted; and
2. The continued implementation of the Council's Treasury Strategy Statement, Annual Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2017/18 by the Executive Director of Resources (Section 151 Officer) be endorsed.

44/17 **Internal Audit Update Report April to October 2017**

The Director of Governance provided an update on the work of the Internal Audit function. Members heard that based on the 13 finalised internal audit reports published so far this year, an overall **Satisfactory Assurance** level can be given as 62% of reports finalised to date received Substantial or Full assurance.

The Committee was informed that following the 20 September 2017 meeting of the General Purpose and Audit Committee where it was noted that level one recommendation follow ups were only at 60% completed, the completion record was now at 90%. Level one priority recommendations were always revisited until showing at 100% completion.

In response to Members' comments that the percentage of planned draft reports issued was low against the year to date target, officers advised that the contractor had confirmed resources were in place to ensure that planned audits were all undertaken by the end of the financial year as had been done in previous years.

Members queried the non-implementation of the recommendations from the 2015/16 Adoption audit. Officers responded that they were awaiting confirmation that the recommendations had been embedded in new processes within the service before formal sign off.

The Committee was further informed that the number of recommendations implemented in response to the 2014/15 audit of the Contract Management Framework had been lower than expected and that this was due to a number of changes in staffing in that area. A permanent Head of Procurement was now in place and good progress was being made in this area.

The Chair commented that there had been a total of seven recommendations raised in Substance misuse and there had been no response from the service to date. Officers advised that the director of Public Health would be invited to the next meeting to provide an update.

RESOLVED: That the Internal Audit Report for April 2017 – October 2017 be noted.

45/17 **Anti-Fraud Update Report April to September 2017**

The Head of Anti-Fraud presented to the Committee the activities of the team and informed the Committee that they were on course to meet their annual target on the number of successful outcomes.

Officers advised the Committee that they would continue to provide narratives in the reports presented to the committee by including case studies of the work that had been carried out. The Chair expressed that this was useful for the Committee and would be useful for new Members.

In relation to Members' queries as to whether the cases were in the public domain, Officers responded that with each case there had been a press release following successful legal action.

Officers were asked to provide an explanation to the other outcomes mentioned in the report such as cautions, dismissals and resignations. Officers explained that the Local Authority had powers to issue cautions to offenders and register them on a national database for three years. There were also instances where offenders could receive verbal and written warnings in internal disciplinary cases.

Monetary value was added to each outcome, though this was not always to seek financial recovery but in some instances related to recovery of property or the termination of a care package.

The Committee thanked the Officers for the work that had been completed.

RESOLVED: That the Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April-30 September 2017 be noted.

46/17 **Corporate Risk Register**

The Head of Insurance, Risk and the Corporate Programme Office provided the Committee with an update and informed Members that there had not been an escalation of any risks to red status since the last report was considered.

The Committee was informed that there had been a de-escalation to high amber of Emergency Accommodation and Affordable Housing risks due to the initiatives and preventative work that had been put in place to manage these issues.

RESOLVED: That the content of the Corporate Risk Register as at 7 December 2017 be noted.

47/17 **Exclusion of Public and Press**

This was not required.

The meeting ended at 7.44 pm

Signed:

Date:



Grant Thornton

An instinct for growth™

Richard Simpson
Executive Director of Resources and S151 Officer
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9 February 2018

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Dear Richard

Certification work for the London Borough of Croydon for the year ended 31 March 2017

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

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

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £226.8 million. Further details are set out in Appendix A.

We identified a number of issues from our certification work that we wish to highlight for your attention, which are set out in Appendix A. There were a small number errors from the extended testing that we carried out on this year's subsidy return which recurred from 2015/16. However, there was a reduction in the overall number of errors identified from the previous year. The extrapolated financial impact on the claim, which we have reported to the DWP, was relatively insignificant to the total subsidy receivable.

As a result of the errors identified, the claim was qualified and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £25,755. This is set out in more detail in Appendix B.

We were pleased with the improved outcome this year and we would like to thank the Council and the benefits team for their positive attitude and for all their support during this work.

Yours sincerely

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£226,811.598	No	Overall subsidy unchanged	Yes	See below

Findings from certification of housing benefits subsidy claim

Through our certification work we identified a small number of errors and other issues, which were consistent with the previous year. These are summarised below.

In-year reconciliation cells

We noted a £2 difference between Cells 011 and 037 on the subsidy claim form in respect of total Non-HRA rent rebates expenditure, and a £12,644 difference between Cells 094 and 130 on the subsidy form in respect of total Rent Allowance expenditure. The in-year reconciliation cells on the subsidy claim form should be internally consistent.

Rent allowances (incorrect input of earned income)

From the initial sample of 20 cases we identified two cases where benefit had been calculated incorrectly as a result of errors in the input of claimants' earned income. From testing of an additional sample of 40 cases we identified three further errors in calculation of earned income. The total value of overpayments identified in these samples was £241. This resulted in an extrapolated misstatement of £57,352 that we reported to the DWP.

Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£34,340	£25,755	£25,755	£0	n/a

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External Audit Plan

Year ending 31 March 2018

London Borough of Croydon
5 March 2018

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	Your key Grant Thornton team members are:
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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 Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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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 Council') 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 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](#).

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Significant risks	Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: <ul style="list-style-type: none">Management over-ride of controlsValuation of property, plant and equipmentValuation of the net pension fund liability 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 £22.5 million (2016/17: £22.3 million), which equates to 2% of your gross service expenditure for 2016/17. 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 £1.0 million (2016/17: £1.0 million).
Value for Money arrangements	Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks: <ul style="list-style-type: none">Budget position and medium term financial planningHealth and social care integrationOfsted inspection of children's services
Audit logistics	Our interim visit will take place in February 2018 and our final visit will take place in June 2018. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be no less than £172,860 (2016/17: £172,860) for the Council.
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.
Audit Report	The London Borough of Croydon has approximately £0.3 million of debt listed on the London Stock Exchange. An entity with listed debt is a Public Interest Entity (PIE), which has enhanced audit reporting requirements under ISA (UK) 700. Further details are set out in appendix A.

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:

- financial statements (including the Annual Governance Statement) 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 Council 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 Council 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 Council is fulfilling these responsibilities.

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

Deep business understanding

Changes to service delivery	Changes to financial reporting requirements	Key challenges	
<p>Integration with health and other sectors</p> <p>The Council continues to work collaboratively with Croydon CCG and providers to deliver integration and in developing the South West London Sustainability and Transformation Plans (STPs).</p> <p>The Council is working with the CCG on extending its Outcomes Based Commissioning project for over 65's, seeking to understand the outcomes the people of Croydon are seeking from the system as a whole.</p> <p>Ensuring the success of partnership with the health sector will be vital for ensuring the continued sustainability and quality of the social care services that the Council provides.</p>	<p>Children's services</p> <p>In September 2017, the Council was rated 'inadequate' by Ofsted in relation to services for children in need of help and protection, children looked after and care leavers.</p> <p>A Improvement Plan for Children's Services and the Croydon Safeguarding Children Board has been developed in response to the Ofsted. The Council's improvement work is being overseen by an improvement board with an independent chair.</p> <p>Responding to the findings of Ofsted is a significant challenge that will take a number of years and will require significant continued investment in transforming ways of working.</p>	<p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p>Housing Revenue Account (HRA)</p> <p>DCLG has issued revised guidance on the calculation of the Item 8 Determination for 2017/18, which :</p> <ul style="list-style-type: none"> - extends transitional arrangements for reversing impairment charges and revaluation losses on dwelling assets and applies this principle to non-dwelling assets from 2017/18, - confirms arrangements for charging depreciation to the HRA and permitting revaluation gains that reverse previous impairment and revaluation losses to be adjusted against the HRA. <p>Changes to the CIPFA 2017/18 Accounting Code</p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for leases, service concession arrangements and financial instruments.</p>	<p>Financial pressures</p> <p>Croydon faces a challenging financial settlement going forward, with Revenue Support Grant forecast to reduce to £18.6 million by 2019/20 compared to £32.6 million in 2017/18, and reflecting an overall reduction in grant funding of 75.3% compared to 2010/11.</p> <p>The General Fund and HRA budget approved at the 20th February 2018 meeting of the Cabinet forecasts that £11.9 million of additional savings are required in 2018/19, with £7.9 million of further savings necessary by 2019/20. This highlights the continued importance of identifying savings opportunities and additional income.</p> <p>Earlier closedown</p> <p>The Accounts and Audit Regulations 2015 require that the Council bring forward the approval and audit of financial statements to 31 July by the 2017/18 financial year.</p> <p>Achieving earlier closure of the audit will be challenging given the Council's performance in previous years and requires fundamental change in some of the Council's internal processes for preparing the accounts and supporting the audit process.</p> <p>Management have taken steps to respond to this challenge and we have held a debrief meeting with officers to reflect on areas for improvement that we noted during the 2016/17 audit.</p>

Our response

- We will consider your arrangements for managing and reporting your financial resources, your arrangements for supporting integration of health and social care and your response to the Ofsted inspection of children's services as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, revised stock valuation guidance for the HRA and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, 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; andthe 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>
Management over-ride of controls	<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>The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none">gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness; andevaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk

Reason for risk identification

Key aspects of our proposed response to the risk

Valuation of property, plant and equipment

The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration and a key audit matter for the audit.

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We will:

- review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- consider the competence, expertise and objectivity of valuation experts used by management;
- discuss with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions;
- review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding;
- testing revaluations made during the year to ensure they are input correctly into the Council's asset register; and
- evaluate the assumptions made by management for those assets not revalued during the year and verify how management have satisfied themselves that these are not materially different to current value.

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Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration and a key audit matter for the audit.

We will:

- identify the controls put in place by management to ensure that the pension fund liability is not materially misstated; we will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;
- evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; we will gain an understanding of the basis on which the valuation is carried out;
- undertake procedures to confirm the reasonableness of the actuarial assumptions made; and
- check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from the Council's actuary.

Reasonably possible risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	<p>Payroll expenditure represents a significant percentage of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will:</p> <ul style="list-style-type: none">evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness;gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; andTesting of payroll expenditure for the year using a substantive analytical approach.
Operating expenses	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses.</p> <p>Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of creditors as a risk requiring particular audit attention:</p>	<p>We will:</p> <ul style="list-style-type: none">evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness;gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; andtesting of post-year end payments to test completeness of expenditure recorded in the financial statements.

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 carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We 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 Act and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- 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 entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

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 propose to calculate financial statement materiality based on a proportion of the gross service expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £22.5 million (2016/17: £22.3 million), which equates to 2% of your gross expenditure for 2016/17. We design our procedures to detect errors in specific accounts at a lower level of precision.

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.

T Auditors are required to set separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

- 2** Disclosures of senior manager salaries - £10,000
- 5** Related party transactions - £0.4m

Matters we will report to the 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 Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.0 million (2016/17: £1.0 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.

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	Significant?	Consolidated into the group accounts?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Brick By Brick Croydon Ltd (subsidiary)	Yes	Yes	Targeted	<ul style="list-style-type: none"> - Risk of fraudulent revenue recognition – risk rebutted as company has not yet earned any revenue - 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) <p>None of these are considered material risks at group level.</p>	Targeted review of specific material balances and reliance on the statutory audit performed by Grant Thornton UK for the year to 31 December 2017
Croydon Care Solutions Ltd (subsidiary)	No	No	Analytical	No specific risks identified	Desktop review performed by Grant Thornton UK
Octavo Partnership Ltd (associate)	No	No	Analytical	No specific risks identified	Desktop review performed by Grant Thornton UK
Croydon Enterprise Loan Fund Ltd (subsidiary)	No	No	Analytical	No specific risks identified	Desktop review performed by Grant Thornton UK

Audit scope:

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

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

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

Value for Money arrangements

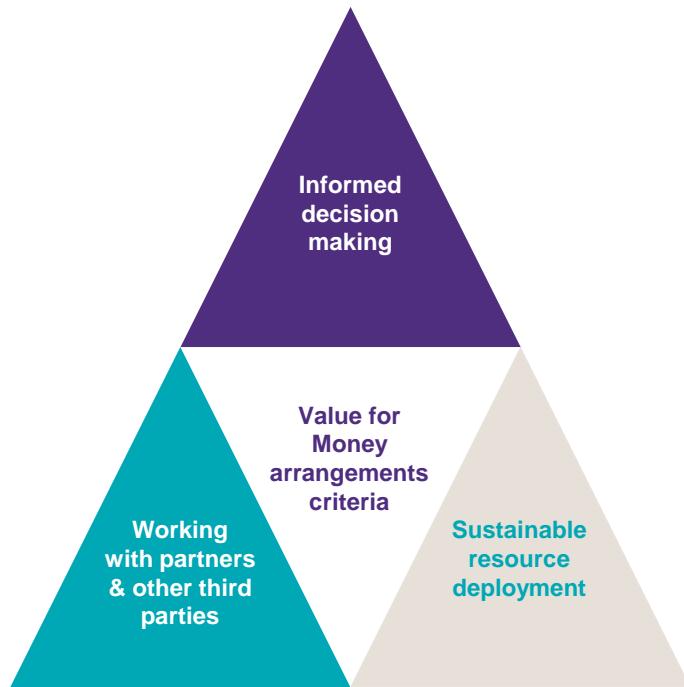
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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



Significant VFM risks

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



Budget position and medium term financial planning

In light of the increasing funding pressures that the Council faces, there is a risk that the Council will not be able to generate new revenue streams or deliver saving cuts of sufficient scale to maintain a balanced budget over the medium term.

We will review recent performance against the budget and consider the reasonableness of the assumption upon which medium term financial planning has been based.



Health and social care integration

The Council is seeking to deliver wide ranging changes and greater integration to ensure financial sustainability of adult health and social care services. This project is complex and high profile, but there are significant benefits to improved service delivery and financial savings.

We will review the Council's progress to date in implementing the planned integration and consider its arrangements to monitor and manage risks and to ensure that benefits from this project are realised.



Ofsted inspection of children's services

Ofsted issues a report on the Council's children's services in September 2017 that gave a rating of 'inadequate' and the Council is currently subject to follow up review by Ofsted. In response to this the Council has implemented an Improvement Plan to address the concerns that Ofsted raised.

We will review the governance arrangements that have been implemented to respond to the findings of Ofsted and progress that the Council has made during the year in resolving the issues identified. We will consider the Council's performance against objectives and targets in delivering a safe and reliable children's service and take these into account in forming our conclusion.

Audit logistics, team & audit fees



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Audit fees

The planned audit fees for the London Borough of Croydon are no less than £172,860 (2016/17: £172,860) for the financial statements audit and £24,894 (2016/17: £25,755) for grants certification work. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Planned audit fees for the audit of Brick By Brick Croydon Limited for the year ended 31 December 2017 are £24,000 (2016/17: £28,950).

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited accounts to 31 July this year, is a significant challenge for audited bodies and auditors alike. For audited bodies, the time available to prepare the accounts and secure an audit opinion is curtailed.

Successful delivery of early close depends on:

- bringing forward as much work as possible to interim audits;
- starting work on final accounts audits as early as possible; and
- working with you to agree detailed plans, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

The achievement of an early close to the audit is a shared goal that requires joined up and collaborative working between our auditors and your finance team.

We held a de-brief meeting with the Director of Finance and Head of Accountancy in December 2017 to identify potential barriers to a successful early close and agreed on actions to ensure the resolution of these issues for the 2017/18 audit process. We also delivered a presentation to the wider finance team in February 2018 to highlight best practice in supporting an audit to a successful early close and highlighting our expectations as auditors.

We are satisfied that, if all these plans are implemented, we will be able to complete your audits in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual 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. We will therefore conduct audits in line with the timetable set out in the audit plan (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we may not be able to maintain a team on site. Similarly, where additional audit time is needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after, the statutory deadline. In addition, it is likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- are able to respond promptly to the interim audit and facilitate the provision of all evidence and supporting information to enable early testing to be completed during the interim audit
- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative reports and the Annual Governance Statements
- 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.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and regular meetings during the interim and final accounts audits
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

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 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit service was identified:

Service	£	Threats	Safeguards
Audit related			
Certification of Housing Benefit grant	24,894	Self-Interest (because this is a recurring fee)	<p>Grant Thornton UK LLP were appointed by Public Sector Audit Appointments Ltd (PSAA) to undertake this work on behalf of the London Borough of Croydon and this engagement is subject to PSAA's ethical compliance regime.</p> <p>The expected fee for this work is the scale fee set by PSAA and will be subject to variation based upon the level of additional housing benefit testing identified as required. 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 £24,894 in comparison to the total fee for the audit of £172,860 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee (subject to variation depending on the level of additional housing benefit testing identified as required); there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p>
Non-audit related			
CFO Insights subscription	10,000	Self-Interest (because this is a recurring fee)	<p>The fee is a recurrent subscription and thus gives high self-interest threat. However, the fee for this work is negligible in comparison to the total fee for the audit and in particular Grant Thornton UK LLP's turnover overall. It is also a fixed fee with no contingent element. We consider that these factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>CFO Insights does not provide any advice; the tool provides only information and insight that to help inform decision making by officers. It is the responsibility of your officers who use this service to undertake informed interpretation of the information provided. The team that operates this service is separate to the audit team.</p>

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 group's policy on the allotment of non-audit work to your auditors. 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. None of the services provided are subject to contingent fees.

Appendices

A. Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Key Audit Matters (KAM)	We will be required to include matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters will be selected from those matters communicated with those charged with governance. The auditor's report will include a description of the KAM, our response and key observations.
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Other matters which we are required to address	We will be required to include details of who appointed us, date of appointment, period of uninterrupted engagement, non-audit services, and that the audit opinion is consistent with the Audit Findings Report.
Format of the report	The opinion section appears first followed by the basis of opinion section.

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External Audit Plan

Year ending 31 March 2018

Croydon Pension Fund
5 March 2018

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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 Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Croydon Pension Fund ('the 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 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 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 financial statements that have been prepared by management with the oversight of those charged with governance (the General Purposes & Audit Committee).

The audit of the financial statements does not relieve management or the General Purposes & Audit Committee of your responsibilities.

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

Significant risks

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

- Management over-ride of controls
- The valuation of Level 3 investments is incorrect
- Change in accounting system

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 £10.9 million (2016/17: £10.9 million), which equates to 1% of your net assets. 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 £0.5 million (2016/17: £0.4 million).

Audit logistics

Our interim visit will take place in February 2018 and our final visit will take place in June 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £21,000 (PY: £21,000) for the Fund.

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

Deep business understanding

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Changes to service delivery

Pooling

Arrangements for the pooling of investments continue to develop. The DCLG has reported on the progress of pools and noted the pace of development, including the launching of procurements for pool operators, appointing senior officers and preparing applications for Financial Conduct Authority authorisation. This remains a challenging agenda, with arrangements required to be in place from 1 April 2018. These arrangements will have a significant impact on how investments are managed and monitored, with much of the operational responsibility moving to the pool operator. It remains key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

Markets in Financial Instrument Directive (MiFID II)

In January 2018 see the implementation of MiFID II. The impact for Fund is that to be able to continue to access the same investments as previously, they need to apply to 'opt up' and gain election to professional status. Without this change in status some financial institutions could terminate their relationship with the fund, which may have an adverse impact on the achievement of the investment strategy

On-going Matters

- Indexation and equalisation of GMP in public service pensions schemes
- Reforms to public sector exit packages and the application, or not, of the 2013 Fair Deal changes to the LGPS
- SAB work on options for academies within the LGPS and review of Tier 3 employer risks

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced minor changes to the 2017/18 Code, these include a new disclosure of investment manager transaction costs and clarification on the approach to investment concentration disclosure.

Key challenges

General Data Protection Regulations (GDPR)

GDPR comes into effect in May 2018 and replaces the Data Protection Act 1998. It introduces new obligations on data controllers. The Fund is both a data controller and a data processor and needs to ensure that it has appropriate processes in place to comply with the changes being introduced.

tPR 2016 Governance and Administration Survey

Published in May 2017 whilst showing improvements in governance tPR noted that its focus for 2017-18 would be scheme governance, record keeping, internal controls and member communication and that tolerance for scheme shortcomings in these areas was reducing and that they were more likely to use their enforcement powers where scheme managers have not taken sufficient action to address issues or meet their duties.

Our response

- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.
- Where any actions have been agreed in respect of matters identified through previous audit work, on the financial statements the planning report should include reference to consideration of progress against previously agreed recommendations.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<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 as the Administering Authority of Croydon Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Croydon Pension Fund.</p>
Management over-ride of controls	<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. Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none">• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness; and• evaluate the rationale for any changes in accounting policies or significant unusual transactions.
Change in accounting system	<p>During the year there has been a change in the accounting system used for the pension fund. There is therefore a risk that data may not have been transferred over correctly from the old system.</p>	<p>We will:</p> <ul style="list-style-type: none">• document the controls in place to manage the transfer of data to the new system; and• test the completeness of the transfer of data to the new system.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The valuation of Level 3 investments is incorrect	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.	We will: <ul style="list-style-type: none">gain an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls;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; andfor 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 2017 with reference to known movements in the intervening period.

Reasonably possible risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Contributions	Contributions from employers and employees' represents a significant percentage of the Fund's revenue.	We will: <ul style="list-style-type: none">• evaluate the Fund's accounting policy for recognition of contributions for appropriateness;• gain an understanding of the Fund's system for accounting for contribution income and evaluate the design of the associated controls;• test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and• rationalise contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.
Pension Benefits Payable	Pension benefits payable represents a significant percentage of the Fund's expenditure.	We will: <ul style="list-style-type: none">• evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;• gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls;• test a sample of individual pensions in payment by reference to member files; and• rationalise pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Reasonably possible risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The valuation of Level 2 investments is incorrect	While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.	We will: <ul style="list-style-type: none">gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls;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; andfor a sample of investments, test the valuation by obtaining independent information from custodian/manager on units and unit prices.

Other matters

Other work

The Fund is administered by the London Borough of Croydon (the 'Council'), and the 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 Fund, such as:

- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.

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.

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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 entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

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 propose to calculate financial statement materiality based on a proportion of the net assets of the Fund for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £10.9m (2016/17: £10.9m), which equates to 1% of your net assets for the prior year. We design our procedures to detect errors in specific accounts at a lower level of precision.

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.

Separate materiality

Pauditors are required to set separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

- 4 Disclosures of senior manager salaries - £10,000
- 4 Related party transactions - £0.4 million

Materiality for planning purposes

We propose to calculate financial statement materiality based on a proportion of the net assets of the Fund for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £10.9m (2016/17: £10.9m), which equates to 1% of your net assets for the prior year. We design our procedures to detect errors in specific accounts at a lower level of precision

Matters we will report to the General Purposes & 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 & 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 Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.5m (2016/17: £0.4m).

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 & Audit Committee to assist it in fulfilling its governance responsibilities.

Audit logistics & audit fees



Audit fees

The planned audit fees for Croydon Pension Fund are no less than £21,000 (2016/17: £21,000) for the financial statements audit.

In setting your fee, we have assumed that the scope of the audit, and the Fund and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited accounts to 31 July this year, is a significant challenge for audited bodies and auditors alike. For audited bodies, the time available to prepare the accounts and secure an audit opinion is curtailed.

Successful delivery of early close depends on:

- bringing forward as much work as possible to interim audits;
- starting work on final accounts audits as early as possible; and
- working with you to agree detailed plans, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

The achievement of an early close to the audit is a shared goal that requires joined up and collaborative working between our auditors and your finance team.

We held a de-brief meeting with the Director of Finance and Head of Accountancy in December 2017 to identify potential barriers to a successful early close and agreed on actions to ensure the resolution of these issues for the 2017/18 audit process. We also delivered a presentation to the wider finance team in February 2018 to highlight best practice in supporting an audit to a successful early close and highlighting our expectations as auditors.

We are satisfied that, if all these plans are implemented, we will be able to complete your audits in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual 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. We will therefore conduct audits in line with the timetable set out in the audit plan (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we may not be able to maintain a team on site. Similarly, where additional audit time is needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after, the statutory deadline. In addition, it is likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- are able to respond promptly to the interim audit and facilitate the provision of all evidence and supporting information to enable early testing to be completed during the interim audit
- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative reports and the Annual Governance Statements
- 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.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and regular meetings during the interim and final accounts audits
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

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. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund.

Non-audit services

0 non-audit services were identified.

Appendices

Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Fund's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Fund's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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Agenda Item 8

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 15 March 2018
SUBJECT:	Internal Audit Charter, Strategy and Plan
LEAD OFFICER:	Director of Governance
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT: Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services helping the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.	
FINANCIAL IMPACT The Internal Audit contract for 2018/19 is a fixed price contract of £378,000 and appropriate provision has been made within the budget for 2018/19.	

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 2018/19 (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 2018/19 (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 2018/19 (appendix 3).
- 3.4 The work plan for 2018/19 follows a similar format to previous years and its make-up is as set out in the audit strategy. It aims to maximise the value from the internal audit resource available and to provide sufficient evidence to enable the Director of Governance to give an opinion on the effectiveness of its risk management, control and governance processes.
- 3.5 The Council's Executive Leadership Team has reviewed and supports the work plan.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 4.1 The fixed price for the Internal Audit Contract is £378,000 for 2018/19 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. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

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

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

6. HUMAN RESOURCES IMPACT

- 6.1 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)

7. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

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

CONTACT OFFICER: Simon Maddocks, Director of Governance

APPENDICES: Appendix 1 - Internal Audit Charter
Appendix 2 - Strategy
Appendix 3 - Plan of audit work for 2018/19

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Internal Audit Charter

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

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

Purpose

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

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

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

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

Mission and Core Principles

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

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

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

¹ 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 Director of Governance², is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the General Purposes & Audit Committee³, on the adequacy and the effectiveness of the internal control system for the whole Council. In order to achieve this, the Internal Audit function has the following objectives:

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

² 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 Director of Governance of all instances of suspected or detected fraud or impropriety, as this may inform the annual audit opinion and the internal audit plan.
- To investigate allegations of fraud, bribery and corruption

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

The remit of Internal Audit covers the entire control environment of the organisation. Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in organisations 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 Director of Governance to report at the top of the organisation and this is done in the following ways:

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

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

Independence

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

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

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

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

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

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

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

Due Professional Care

The Internal Audit function is bound by the following standards:

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

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

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

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Internal Audit Strategy

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

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

Internal Audit Objectives

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

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

Internal Audit's Remit

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

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

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

¹ 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 Director of Governance and supported by an in-house Governance Team. This provides flexibility of resource and mitigates many of the risks associated with delivering a professional internal audit service.

To ensure that the benefits of the Internal Audit service are maximised and shared as best practice, Croydon has established the 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 2018-19 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 are 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 almost 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 ICT infrastructure and associated systems, software and hardware.
- **Contract Audit:** Audits of the Council's procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Fraud and Ad Hoc Work:** A contingency of audit days are set aside to cover any fraud and irregularity investigations arising during the year and additional work due to changes or issues arising in-year.

The internal audit plan for 2018-19 covers a period of twelve months. However, Croydon Council and local government as a whole is being subjected to continuous change and financial pressures that may result in changed priorities during the course of the year. Where this happens the Director of Governance may need to flex the internal audit plan; any proposed significant changes to the plan will be reported to the senior management and the General Purposes & Audit Committee.

Follow-up

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

Where progress is unsatisfactory or management 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 Director of Governance's annual report that contributes to the assurances underpinning the Annual Governance Statement of the Council.

2018/19 Annual Audit Plan		Dept	Audit Days Budget 2018/19
KEY FINANCIAL SYSTEMS REVIEWS			
Business Rates (including 100% Business Rate Pilot)	Resources	15	
Community Care Payments	People	10	
Council Tax	Resources	5	
Creditors (inc P2P)	Resources	10	
Debtors	Resources	10	
Housing Benefits	Resources	10	
Housing Rents & Accounting	Resources	5	
Housing Repairs	Place	10	
Main Accounting System	Resources	5	
Parking Enforcement & Tickets	Place	10	
Payments to Schools	Resources	5	
Payroll	Resources	10	
Pensions	Resources	10	
Treasury Management	Resources	3	
Follow-up of audits		10	
Total Key Financial Audits			128
DEPARTMENTAL RISK AUDITS			
Business Relationship Team (ContrOCC)	People	10	
Payments to In-house Foster Carers	People	10	
Payments Against Orders / Allowances (Adoption and Special Guardianships)	People	10	
SEN - To include Ombudsman upheld complaints	People	10	
Schools Deficits & Surpluses (Conversation to Academy)	People	10	
GDPR in Schools	People	5	
Health and Safety in Schools	People	10	
Decision Making in Adult Social Care	People	10	
Children with Disabilities - Placement Costs and Spend Review	People	10	
Adult Social Care - Financial Assessment Team	People	10	
Deferred Payments (Care Act Part 2)	People	10	
Voluntary Sector Commissioning (Social Care)	People	10	
Energy Recharges	People	10	
Air Quality Strategy, Implementation and Review	Place	10	
South London Waste Partnership - Governance	Place	10	
Leisure Contract Management	Place	10	
Statutory Defence Against Highways & Other Claims	Place	10	
Allotments	Place	10	
'Live Well' (Active Lifestyle Team)	Place	10	
South London Work & Health Partnership	Place	10	
Parking CCTV	Place	10	
Private Sector Landlords - Fire Safety	Place	10	
Highways Licensing Function	Place	10	
No Recourse to Public Funds	Place	10	
Discretionary Housing Payments and other Discretionary Payments	Place	10	
Mortuary	Place	10	
Housing Void Management	Place	10	

Temporary Accommodation and New Homeless Reduction Act	Place	10
Croylease	Place	10
Leasehold Service Charges - Charges to leaseholders	Place	10
Growth Zone - High Level Review	Place	10
Libaries Income Collection	Place	10
Museum - Collections Trust	Place	10
Cashiers - Cash Counting procedures	Resources	5
Brick by Brick - Governance	Resources	10
Coroners	Resources	5
General Data Protection Regulation	Resources	10
ICT Procurement Strategy	Resources	10
New Legal Services Model	Resources	10
HRA - Recycling receipts LLP Structures / Commercial Vehicles / Charities	Resources	10
Public Health Prevention Strategy	Resources	10
Engagement of Temporary Resource and monitoring of usage	Resources	30
Asbestos Management (Beyond the Corporate Campus)	Resources	10
Budget Forecasting	Resources	10
Council Investment and Operational Properties - Income Maximisation	Resources	10
Follow up of audits		40
Total Departmental Risk Register Audits		495
COMPUTER AUDITS		
Oracle Fusion/Cloud - Independent Project Assurance	Resources	20
Peoples ICT applications	People	30
Peoples ICT - Independent Project Assurance	People	5
Street Systems	Place	10
Bring Your Own Device	Resources	10
Capita Events Management	People	10
Third Party Support / Service Delivery	Resources	10
Windows 10	Resources	10
Access to IT Services	Resources	5
Follow up of audits		10
Total Computer Audits		120
CONTRACT AUDITS		
Various Contract Audits	TBA	60
New Addington Leisure Centre Procurement	Place	10
Contact Register - Tier 1 Contracts: Scorecards	Resources	10
Easy Buy Project	Resources	10
Follow-up of Contract audits		10
Total Contract Audits		100
SCHOOLS AUDITS		
Primary Schools		
Christchurch C of E Primary School	People	5
Coulsdon C of E Primary School	People	5
Keston Primary School	People	5
The Minster Junior School	People	5
Orchard Way Primary School	People	5
Parkhill Infants School	People	5
Regina Ceoli Primary School	People	5
Ridgeway Primary School and Nursery	People	5
The Hayes Primary School	People	5
Winterbourne Junior Girls School	People	5

Secondary Schools		
St Andrews C of E VA High School	People	7
St Mary's Catholic High School	People	7
Thomas Moore Catholic School	People	7
Virgo Fidelis Convent Senior School	People	7
Bensham Manor School	People	7
Follow-up of Schools audits		14
Total Schools Audits		99
CONTINGENCY		
Contingency for fraud including NFI and other ad hoc audits		53
Contingency for Grant Claims		15
Total Contingency		68
ADMIN AND MANAGEMENT		
Attendance at meetings, discussions, Audit Committee etc		25
Internal Audit Strategy and Plans Development		10
Year End Summary Report (Council-wide Head of Audit Report)		5
Total Admin and Management		40
GRAND TOTAL BUDGET		1050

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Agenda Item 9

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 15 March 2018
SUBJECT:	Internal Audit Update Report April 2017 to January 2018
LEAD OFFICER:	Simon Maddocks, Director of Governance
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT: Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services which, in turn helps the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.	
FINANCIAL IMPACT The Internal Audit contract for 2017/18 is a fixed price contract of £333,000 and appropriate provision has been made within the budget for 2017/18.	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the Internal Audit Report for April 2017 to January 2018 (Appendix 1).

2. EXECUTIVE SUMMARY

- 2.1 This report details the work completed by Internal Audit so far during 2017/18 and the progress made in implementing recommendations from audits completed in previous years.

3. DETAIL

- 3.1 The Internal Audit report (Appendix 1) includes the following:
- a list of all audits completed so far in 2017/18; and
 - lists of follow up audits completed and the percentage of priority one, and other audit recommendations implemented.
- 3.2 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the Full Council through the General Purposes & Audit Committee and the Chief Financial Officer (also known as the Section 151 Officer), who is currently the Executive Director of Resources. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.
- 3.3 Based on the 29 finalised internal audit reports published so far this year, an overall **Satisfactory Assurance** level can be given as **66%** of reports finalised to date received Substantial or Full assurance.

4. FOLLOW-UP REVIEWS

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

Table 1: Implementation of Audit Recommendations

	Target	2014/15	2015/16	2016/17	2017/18
Implementation of priority one recommendations at follow-up	90%	96%	86%	83%	69%
Implementation of all recommendations at follow-up	80%	94%	88%	85%	80%

5. PROGRESS AGAINST THE AUDIT PLAN

- 5.1 By 31 January **75%** (81% last year) of the 2017/18 planned audit days had been delivered and **56%** (61% last year) of the draft audit reports due for the year had been issued. The contractor has given assurances that the necessary resources are available to deliver the internal audit plan in-year as usual.

6. PUBLICATION OF INTERNAL AUDIT REPORTS

- 6.1 Following a decision at the June 2015 meeting of this committee, all finalised internal audit reports from the year 2015/16 onwards are published on the Council's public internet site.

7. CONSULTATION

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

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 8.1 The fixed price for the Internal Audit Contract is £333,000 for 2017/18 and there is adequate provision within the budget. There are no additional financial considerations relating to this report
- 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. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

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

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

10. HUMAN RESOURCES IMPACT

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

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

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.
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CONTACT OFFICER: Simon Maddocks, Director of Governance

APPENDICES: Internal Audit report for the period 1 April 2017 to 31 January 2018 (appendix 1)



London Borough of Croydon

Internal Audit Report for the period

1 April 2017 to 31 January 2018

Status of Our Reports

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

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

Please refer to the Statement of Responsibility set out in appendix 3 of this report for further information about responsibilities, limitations and confidentiality.



Internal Audit activity

1. During the first ten months of the 2017/18 financial year the following work has been delivered:

- 75% of the 2017/18 planned audit days have been delivered
- 91 (95%) 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:-
- 54 system audits commenced and/or were completed;
- 26 probity audits commenced and/or were completed; and,
- 11 computer audits commenced and/or were completed.

In addition:

- 5 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 2017/18 internal audit plan was substantially informed by the risk registers. The 2017/18 internal audit plan was presented to the General Purposes and Audit Committee on 22 March 2017.
3. Work on the 2017/18 audit plan commenced in April 2017 and delivery is now well underway.
4. Table 1 details the performance for the 2017/18 audit plan against the Council's targets. At 31 January 2018 Internal Audit had delivered 75% of the planned audit days and 56% 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 and, as is evident from the 91 (95%) audits in progress or completed above, we are still well placed for completing 100% of the audit plan by 31 March 2018.

Table 1: Performance against targets

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
% of planned 2017-18 audit days delivered	100%	79%	75%	▼
Number of 2017-18 planned audit days delivered	1037	819	774	▼
% of 2017-18 planned draft reports issued	100%	65%	56%	▼
Number of 2017-18 planned draft reports issued	96	62	54	▼
% of draft reports issued within 2 weeks of exit meeting	85%	85%	89%	▲
2017/18 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	69%	▼
2017/18 % of all recommendations implemented at the time of the follow up audit	80%	80%	80%	►
2016/17 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	83%	▼
2016/17 % of all recommendations implemented at the time of the follow up audit	80%	80%	85%	▲

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
2015/16 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	86%	▼
2015/16 % of priority all recommendations implemented at the time of the follow up audit	80%	80%	88%	▲
2014/15 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	96%	▲
2014/15 % of all recommendations implemented at the time of the follow up audit	80%	80%	94%	▲
% of qualified staff engaged on audit	40%	40%	41%	▲

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 2017-18 audits for which final reports were issued from 1 April to 31 January 2018. Details of the key issues arising from these reports are shown in Appendix 1.

Table 2: 2017-18 Final audit reports issued from 1 April 2017 to 31 January 2018:

Audit Title	Risk Level	Assurance Level	Planned Year
Non-school audits			
Abandoned Vehicles	High	No	2017/18
Mayors Charity	High	No	2017/18
Pay and Display Income Collection	High	Limited	2017/18
Deprivation of Liberty Safeguards	High	Limited	2017/18
Direct Payments	High	Limited	2017/18
Registrars	High	Limited	2017/18
Food Safety	High	Limited	2017/18

Audit Title	Risk Level	Assurance Level	Planned Year
Payments to Schools	High	Substantial	2017/18
CALAT – Income Collection	High	Substantial	2017/18
Schools Forum	High	Substantial	2017/18
Youth Offending Service	High	Substantial	2017/18
Bridges and Infrastructure	High	Substantial	2017/18
Place Review Panel (Planning Pre-Application Advice Panel)	High	Substantial	2017/18
Street Trading – Income Collection	High	Substantial	2017/18
Transport Fleet Management	High	Substantial	2017/18
Pension Fund – Admitted and Scheduled Bodies	High	Substantial	2017/18
Anti-Virus and Malware	High	Full	2017/18
School audits			
The Minster Nursery and Infant School	Medium	Limited	2017/18
Elmwood Infant School	Medium	Limited	2017/18
Norbury Manor Primary School	Medium	Limited	2017/18
Purley Nursery	Medium	Substantial	2017/18
All Saints C of E Primary School	Medium	Substantial	2017/18
Elmwood Junior School	Medium	Substantial	2017/18
Heavers Farm Primary	Medium	Substantial	2017/18
Howard Primary School	Medium	Substantial	2017/18
Margaret Roper Primary School	Medium	Substantial	2017/18
Purley Oaks Primary School	Medium	Substantial	2017/18
Selsdon Primary School	Medium	Substantial	2017/18
Saffron Valley	Medium	Substantial	2017/18

Follow-up audits – effective implementation of recommendations

7. During 2017/18 in response to the Council's follow-up requirements, Internal Audit has continued following-up the status of the implementation of the 2014/15, 2015/16, 2016/17 and 2017/18 audits.
8. Follow-up audits are undertaken to ensure that all the recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Council's target for audit recommendations implemented at the time of the follow-up audit is 80% for all priority 2 & 3 recommendations and 90% for priority 1 recommendations.

Performance Objective	Target	Performance (to date*)				
		2013/14	2014/15	2015/16	2016/17	2017/18
Percentage of priority one recommendation implemented at the time of the follow up audit	90%	100%	96%	86%	83%	69%
Percentage of all recommendations implemented at the time of the follow up audit	80%	96%	94%	88%	85%	80%

The follow ups for 2013/14 are now complete. The results of those for 2014/15, 2015/16, and 2016/17 and 2017/18 audits that have been followed up are included in Appendixes 2, 3, 4 and 5 respectively.

9. Appendix 2 shows the follow-up audits of 2014/15 audits undertaken to date and the number of recommendations raised and implemented. 94% of the total recommendations were found to have been implemented and 96% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Substance Misuse	Richard Simpson	High	Limited	<p>A priority 1 recommendation was raised as it was established that care file reviews were not carried out for cases on the AIS system.</p> <p>A priority 1 recommendation was raised as no exception reports were being run on the AIS system, to allow the appropriate monitoring of substance misuse cases, despite there being the functionality for this.</p>

10. Appendix 3 shows the follow-up audits of 2015/16 audits undertaken to date and the number of recommendations raised and implemented. 88% of the total recommendations were found to have been implemented and 86% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
EMS Application	Richard Simpson	High	Limited	<p>A recommendation was raised due to the absence of an effective disaster recovery plan for the EMS application. The response to the follow up is that this is being worked on with Capita and a solution planned for April 2018.</p>
Adoption	Barbara Peacock	High	Limited	<p>A recommendation was raised as the weekly adoption payment runs were not being checked for accuracy and to ensure no inappropriate payments made.</p>
ICT ~Service Delivery ITIL Framework	Richard Simpson	High	Limited	<p>A recommendation was raised as it was identified that the development of an appropriate Business Impact Review (BIR) to assist in the design of both the IT Service Disaster Recovery Plan (DRP) and the associated Business Continuity Plan (BCP) are currently at an embryonic stage and no DRP or BCP solutions have been recently tested as effective.</p> <p>The response to the follow up is that this is being worked on with Capita and a solution planned for April 2018.</p>

11. Appendix 4 shows the 2016/17 follow-up audits undertaken to date and the number of recommendations raised and implemented. 85% of the total recommendations were found to have been implemented and 83% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
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Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Adult Social Care – Caseload Management	Barbara Peacock	High	Limited	<p>A priority 1 recommendation was raised as examination of the 'Caseload Pressures Reporting', dated 20 September 2016 identified that there were a significant number of cases on the respective team waiting lists, i.e. cases not yet assigned to a case worker. There were further cases on the Centralised Duty team waiting list, i.e. cases not yet assigned to the respective teams.</p> <p>Discussion with the Team Managers of the OP North and South teams confirmed that no priority 1 cases were on the waiting lists; however, as some cases had been on the waiting lists for some time the initial priority assigned to these cases may no longer be appropriate.</p>
Adult Self-Funding and Deferred Payments	Barbara Peacock	High	Limited	A priority 1 recommendation was raised as sample testing of 9 clients in the Deferred Payments Scheme identified that evidence of appropriate insurance cover over the property of five of the clients was not available
Disabled Facilities Grants	Barbara Peacock	High	Limited	A priority 1 recommendation was raised as although the works for each disabled facility grant is awarded through a mini-tender exercise, due to the value of the annual aggregated expenditure with some contractors, there is noncompliance with the Councils Tenders and Contracts regulations,
Virgo Fidelis Convent Senior School	Barbara Peacock	Med	Limited	A priority 1 recommendation was raised as the pupil numbers and some of the estimates of costs and income in the Schools 10 year budget plan need to be critically reviewed.

12. Appendix 5 shows the 2017/18 follow-up audits undertaken to date and the number of recommendations raised and implemented. 80% of the total recommendations were found to have been implemented and 69% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Food Safety	Shifa Mustafa	High	Limited	<p>Two priority 1 issues were raised as sample testing identified that not all new establishments were being sent data collection forms in a timely manner or being inspected in a timely manner. A third priority 1 issue was raised as not all high risk rated establishments were being inspected within required timeframes.</p> <p>The response to the first follow up demonstrated that, while actions were being taken, the identified issues were not yet fully resolved.</p>
Pay and Display Meter Maintenance and Income Collection	Shifa Mustafa	High	Limited	A priority 1 issue was raised the contract between NSL and the Council expired in 2015.
Abandoned Vehicles	Shifa Mustafa	High	Limited	<p>A priority 1 issue was raised as the records of reported abandoned vehicles on the Access 2003 database was incomplete, with images, links to '7 day' notices and the dates removed and outcomes not always being recorded.</p> <p>A priority 1 issue was raised as although the estimated contract value for abandoned vehicle removal is over £160k, there has been no tendering for this service and there is no contract in place between Trans-Support and the Council.</p>

Appendix 1 - Key issues from 2017/18 finalised audits

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.	
Non School Audits				
Mayor's Charity	High	No (Five priority 1, six priority 2 and 2 priority 3 issues)	<p>Priority 1 issues were raised because:</p> <ul style="list-style-type: none"> Meetings were not being held in accordance with the 'Trust Deed Dated 31 March 1994'. The funds collected for the previous mayor had not yet all been received and disbursed at the time of audit. Sample testing found that the Income and Expenditure spreadsheet used to monitor payments into and out of the Mayor's Charity fund was not complete. Bank reconciliations were not being performed on a regular basis. There was no evidence that an annual report was prepared, approved or submitted to the Charity Commission. 	
Abandoned Vehicles	High	No (Four priority 1 and six priority 2 issues)	<p>Priority 1 issues were raised as:</p> <ul style="list-style-type: none"> The records of reported abandoned vehicles on the Access 2003 database was incomplete, with images, links to '7 day' notices and the dates removed and outcomes not always being recorded. 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. Invoices from the contractor are being receipted for payment without evidence of removed vehicles being obtained and without communication with the Abandoned Vehicle Service team to ascertain which vehicles should have been removed. There is no monitoring of instructions to Tran-Support to remove vehicles to ensure that these instructions are acted upon in a timely manner. 	
Deprivation of Liberty Safeguards (DoLS)	High	Limited (Two priority 1 and Two priority 2 issues)	<p>A priority 1 issue was raised as the statutory requirement to complete MCA DoLS assessments within 21 days was not being met.</p> <p>A priority 1 issue was raised as the DoLS Year 8 tracker for 2016/17 cases was not up-to-date, including incomplete or blank data fields.</p>	
Direct Payments	High	Limited (One priority 1, two priority 2 and one priority 3 issue)	<p>A priority 1 issue was raised as the Personal Budget Direct Payment Agreements do not have a fraud declaration or 'fair processing' notice.</p>	
Registrars	High	Limited (One priority 1, two priority 2 and three priority 3 issues)	<p>A priority 1 issue was raised as appropriate records of stock issued, income collected and refunds issued were not being maintained by all of the Registrars and independent reconciliations of the records to the daily cash summary sheets was not being conducted.</p>	
Food Safety	High	Limited (Three priority 1, six priority 2 and two priority 3 issues)	<p>A priority 1 issue was raised as examination of the documentation for a sample of ten new establishments found that seven had not been sent a data collection form, one had the form sent 113 days after registering and another 102 days after registering.</p> <p>A priority 1 issue was raised as nine out of the ten new establishments sampled had not yet been inspected and the remaining establishment was only inspected 59 days after it opened.</p> <p>A priority 1 issue was also raised as four out of six establishments with a high risk rating (A) and 30 out of 63 with a B rating were not inspected within the required timeframes set by the Food Standards Authority. It was</p>	

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.	
Non School Audits				
			further noted that 612 establishments were registered and due an inspection but these had not been conducted.	
Pay and Display Meter Maintenance and Income Collection	High	Limited (Two priority 1, one priority 2 and one priority three issue)	A priority 1 issue was raised as the contract between NSL and the Council expired in 2015. A priority 1 issue was raised as none of the seven sampled variances between the pay and display meter readings and corresponding cash collections had been evidenced as investigated.	
Payments to Schools	High	Substantial (Four priority 2 and one priority 3 issue)	No priority 1 issues raised.	
CALAT – Income Collection	High	Substantial (Four priority 2 and two priority 3 issues).	No priority 1 issues raised.	
Schools Forum	High	Substantial (One priority issue).	No priority 1 issues raised.	
Youth Offending Service	High	Substantial (Three priority 2 issues)	No priority 1 issues raised.	
Bridges and Infrastructure	High	Substantial (Two priority 2 and one priority 3 issue)	No priority 1 issues raised.	
Place Review Panel (Planning Pre-Application Advice Panel)	High	Substantial (One priority 2 and two priority 3 issues raised)	No priority 1 issues raised.	
Street Trading – Income Collection	High	Substantial (Eight priority 2 and one priority 3 issue)	No priority 1 issues raised.	
Pension Fund – Admitted and Scheduled Bodies	High	Substantial (Three priority 2 and one priority 3 issue)	No priority 1 issues raised.	
Transport – Fleet Management	High	Substantial (Three priority 2 issues)	No priority 1 issues raised.	
Anti-Virus and Malware	High	Full	No issues raised.	
Audit Title	Risk Level	Assurance Level & Number of Recommendations	Summary of key issues raised.	
School Audits				
The Minster Nursery and Infant School	Med	Limited (Two priority 1, ten priority 2 and five priority 3 recommendations)	A priority 1 recommendation was raised as from a sample of 15 purchases sampled from the School's disbursement account, it was identified that in 12 cases there was no evidence that goods or services received checks had been undertaken. A priority 1 recommendation was raised as the School has out of date Health & Safety certificates. The School's Legionella Risk Assessment was dated October 2013 and the Chlorination certificate was dated 29 October 2015.	

Audit Title	Risk Level	Assurance Level & Number of Recommendations	Summary of key issues raised.	
School Audits				
Elmwood Infant School	Med	Limited (Two priority 1, seven priority 2 and five priority 3 recommendations)	A priority 1 recommendation was raised as barred list and DBS checks had not been conducted in a timely manner for some staff and governors. A priority 1 the Schools procurement cards were not obtained via the Council as required and were not evidenced as approved by the Governing Body.	
Norbury Manor Primary School	Med	Limited (Two priority 1, seven priority 2 and five priority 3 recommendations)	A priority 1 recommendation was raised as the approved and signed Governing Body and Finance and Personnel Committee minutes were not available for 16/17 and 17/18 A priority 1 recommendation was raised as 14 out of the sample of 15 transactions sampled were not evidenced as appropriately approved for payment.	
Purley Nursery	Med	Substantial (Two priority 2 and two priority 3 recommendations)	No priority 1 recommendations raised.	
All Saints C of E Primary School	Med	Substantial (Five priority 2 and three priority 3 recommendations)	No priority 1 recommendations raised.	
Elmwood Junior School	Med	Substantial (One priority 2 and 2 priority 3 recommendations)	No priority 1 recommendations raised.	
Heavers Farm Primary	Med	Substantial (Five priority 2 and five priority 3 recommendations)	No priority 1 recommendations raised.	
Howard Primary School	Med	Substantial (Seven priority 2 and six priority 3 recommendations)	No priority 1 recommendations raised.	
Margaret Roper Catholic Primary School	Med	Substantial (Nine priority 2 and seven priority 3 recommendations)	No priority 1 recommendations raised.	
Purley Oaks Primary	Med	Substantial (Four priority 2 and three priority 3 recommendations)	No priority 1 recommendations raised.	
Selsdon Primary School	Med	Substantial (Four priority 2 and five priority 3 recommendations)	No priority 1 recommendations raised.	
Saffron Valley	Med	Substantial (Two priority 2 and four priority 3 recommendations)	No priority 1 recommendations raised.	

Appendix 2 - Follow-up of 2014/15 audits (with outstanding recommendations only)

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2014/15	Substance Misuse	Barbara Peacock	High	Limited (3rd follow up in progress)	7	4	57%
2014/15	Contract Management Framework	Richard Simpson	High	Substantial (2 nd follow up in progress)	7	0	0%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					255	247	97%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					27	25	93%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					271	248	92%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					29	29	100%
Recommendations and implementation from audits that have had responses					526	495	94%
Priority 1 Recommendations from audits that have had responses					56	54	96%

Appendix 3 - Follow-up of 2015/16 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2015/16	Contract Management & Governance of Croydon Care Solutions	Barbara Peacock	High	No (No further follow up planned)	9	9	100%
2015/16	Contract Management & Governance of Adult Social Care Providers	Barbara Peacock	High	Limited (No further follow up planned)	6	5	83%
2015/16	Performance Monitoring Adult Social Care	Barbara Peacock	High	Limited (1 st follow up in progress)	9	-	-
2015/16	Food Flagship Initiative	Barbara Peacock	High	Limited (No further follow up planned)	9	8	89%
2015/16	Staff Car parking and Corresponding Allowances	Richard Simpson	High	Limited (No further follow up planned)	6	5	84%
2015/16	Use of Pool Cars (Zipcar)	Richard Simpson	High	Limited (No further follow up planned)	4	4	100%
2015/16	Employee Expenses (via One Oracle)	Richard Simpson	High	Limited (No further follow up planned)	6	6	100%
2015/16	Adoption	Barbara Peacock	High	Limited (2 nd follow up in progress)	4	1	25%
2015/16	Fostering	Barbara Peacock	High	Limited (3 rd follow up in progress)	5	2	40%
2015/16	Software Licensing	Richard Simpson	High	Limited (No further follow up planned)	8	8	100%
2015/16	EMS Application	Richard Simpson	High	Limited (5th follow up in progress)	4	1	25%
2015/16	Old Town Building Frontages	Shifa Mustafa	High	Limited (No further follow up planned)	5	5	100%
2015/16	ICT Service Delivery ITIL Framework	Richard Simpson	High	Limited (2 nd follow up in progress)	2	1	50%
2015/16	ICT Mobile Devices	Richard Simpson	High	Limited (No further follow up planned)	8	7	88%
2016/16	Cyber Security	Richard Simpson	High	Limited (No further follow up planned)	2	2	100%
2015/16	Council Tax	Richard Simpson	High	Substantial (No further follow up planned)	4	4	100%
2015/16	NDR – Non Domestic Rates	Richard Simpson	High	Substantial	3	3	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up planned)			
2015/16	Payments to Schools	Richard Simpson	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Cultural Direction	Richard Simpson	High	Substantial (2nd follow up in progress)	1	0	0%
2015/16	Locality Early Help	Barbara Peacock	High	Substantial (No further follow up planned)	9	8	89%
2015/16	Looked After Children (placed in another LA area)	Barbara Peacock	High	Substantial (1 st follow up in progress)	7	-	-
2015/16	Youth Offending Service	Barbara Peacock	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Care Act 2014	Barbara Peacock	High	Substantial (1 st follow up in progress)	2	-	-
2015/16	Better Care Fund	Barbara Peacock	High	Substantial (No further follow up planned)	7	7	100%
2015/16	Childcare Provision	Barbara Peacock	High	Substantial (No further follow up)	6	5	83%
2015/16	Integrated Commissioning	Barbara Peacock	High	(3rd follow up in progress)	3	2	66%
2015/16	Member Ethics and Transparency	Richard Simpson	High	Substantial (No further follow up planned)	2	2	100%
2015/16	Connected Croydon – Programme and Project Management	Shifa Mustafa	High	Substantial (2nd follow up in progress)	4	2	50%
2015/16	People Gateway Programme	Barbara Peacock	High	Substantial (No further follow up planned)	4	4	100%
2015/16	NHS Partnership with Public Health	Barbara Peacock	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Asset Sales	Richard Simpson	High	Substantial (No further follow up planned)	6	5	83%
2015/16	Croydon Challenge (Programme Management)	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Risk Management	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	EMS Data Quality	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Pension Fund Admitted Bodies	Richard Simpson	High	Substantial	1	1	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up planned)			
2015/16	Interserve – Fire Safety and Health and Safety Assessments	Richard Simpson	High	Substantial (No further follow up planned)	11	10	90%
2015/16	Public Consultations	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Street Lighting	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Waste Contract Management	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Planning Enforcement	Shifa Mustafa	High	Substantial (No further follow up planned)	2	2	100%
2015/16	School Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	5	4	80%
2015/16	Housing Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Waste Recycling	Shifa Mustafa	High	Substantial (3 rd follow up in progress)	3	0	0%
2015/16	One Oracle Back Office	Richard Simpson	High	Substantial (No further follow up planned)	2	2	100%
2015/16	Internal Network	Richard Simpson	High	Substantial (2nd follow up in progress)	2	1	50%
2015/16	Cyber Security	Richard Simpson	High	Assurance n/a (no further follow up planned)	2	2	100%
2015/16	Procurement of Consultants – South Norwood Public Realm Lead Design	Shifa Mustafa	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Clocktower and Town Hall Replacement Works	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Wandle Park pavilion Works	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	EU Procurement Directives	Richard Simpson	High	Substantial (2nd follow up in progress)	2	0	0
2015/16	SEN Transport Contract	Richard Simpson	High	Substantial (No further follow up planned)	6	6	100%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					206	177	86%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					22	19	86%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented		
						Total	Percentage	
School Audits								
2015/16	Beulah Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%	
2015/16	Elmwood Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%	
2015/16	Gilbert Scott	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%	
2015/16	Howard Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%	
2015/16	Kingsley	Barbara Peacock	Medium	Substantial (No f/up - recs implemented at final report)	4	4	100%	
2015/16	The Minster Junior	Barbara Peacock	Medium	Substantial (2 nd follow up in progress)	2	0	0%	
2015/16	Purley Oaks Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%	
2015/16	Rockmount	Barbara Peacock	Medium	Substantial (No f/up recs implemented at final report)	1	1	100%	
2015/16	Selsdon	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%	
2015/16	St Chad's RC Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	10	10	100%	
2015/16	Winterbourne Infant & Nursery	Barbara Peacock	Medium	Substantial (No further follow up)	4	4	100%	
2015/16	Winterbourne Junior Girls	Barbara Peacock	Medium	Substantial (No further follow up)	2	2	100%	
2015/16	Wolsey Infants	Barbara Peacock	Medium	Substantial (No further follow up)	4	4	100%	
2015/16	St Joseph's RC Federation	Barbara Peacock	Medium	Substantial (No further follow up)	3	3	100%	
School Audits Sub Total: Recommendations and implementation from audits that have had responses						50	48	96%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses						0	0	N/a
Recommendations and implementation from audits that have had responses						256	225	88%
Priority 1 Recommendations from audits that have had responses						22	19	86%

Appendix 4 - Follow-up of 2016/17 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2016/17	Adult Care Packages	Barbara Peacock	High	Limited (1 st follow up in progress)	7	-	-
2016/17	ASC Caseload Management	Barbara Peacock	High	Limited (2 nd follow up in progress)	7	4	57%
2016/17	Adult Self-Funding and Deferred Payments	Barbara Peacock	High	Limited (5 th follow up in progress)	8	6	75%
2016/17	Client Management of Octavo Partnership	Barbara Peacock	High	Limited (No further follow up)	6	6	100%
2016/17	Disabled Facilities Grants	Barbara Peacock	High	Limited (4 th follow up in progress)	12	11	92%
2016/17	Pathways to Employment – Jobs Brokerage	Shifa Mustafa	High	Limited (No further follow up)	8	7	88%
2016/17	Procurement of Consultants – Caterham Bourne	Shifa Mustafa	High	Limited (No further follow up)	8	7	88%
2016/17	Facilities Management – Contract Cleaning	Richard Simpson	High	Limited (No further follow up)	7	7	100%
2016/17	Housing Benefits	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Housing Rents and Accounting	Barbara Peacock	High	Substantial (No further follow up)	7	6	86%
2016/17	Housing Repairs	Shifa Mustafa	High	Substantial (No further follow up)	4	4	100%
2016/17	Payments to Schools	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Payroll	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	Pension Fund Investments	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Declarations of Interests, Gifts and Hospitality	Richard Simpson	High	Substantial (No further follow up)	7	7	100%
2016/17	Sickness Absence	Richard Simpson	High	Substantial (1 st follow up in progress)	5	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	HMRC Compliance	Richard Simpson	High	Substantial (3 rd follow up in progress)	5	3	60%
2016/17	Empty Property Grants	Barbara Peacock	High	Substantial (No further follow up)	6	6	100%
2016/17	Housing Registration and Allocation	Barbara Peacock	High	Substantial (3 rd follow up in progress)	8	6	75%
2016/17	Top 50 Families Review	Barbara Peacock	High	Substantial (No further follow up)	3	3	100%
2016/17	Anti-Social Behaviour	Shifa Mustafa	High	Substantial (3 rd follow up in progress)	9	4	44%
2016/17	Household Green Waste	Shifa Mustafa	High	Substantial (No further follow up)	5	5	100%
2016/17	Flood Management Plan	Shifa Mustafa	High	Substantial (No further follow up)	7	6	86%
2016/17	Licensing Income	Shifa Mustafa	High	Substantial (3 rd follow up in progress)	2	1	50%
2016/17	Prevent Agenda	Shifa Mustafa	High	Substantial (No further follow up)	1	1	100%
2016/17	Project Assurance (Place)	Shifa Mustafa	High	Substantial (1 st follow up in progress)	3	-	-
2016/17	Regeneration Partnership	Shifa Mustafa	High	Substantial (1 st follow up in progress)	2	-	-
2016/17	S106 Negotiating, Charging and Funding	Shifa Mustafa	High	Substantial (No further follow up)	3	3	100%
2016/17	Selective Licensing	Shifa Mustafa	High	Substantial (No further follow up)	5	5	100%
2016/17	Clinical Governance	Barbara Peacock	High	Substantial (3 rd follow up in progress)	3	0	0%
2016/17	Commercial use of Bernard Weatherill House	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	Debt Recovery and use of Bailiffs	Richard Simpson	High	Substantial (1 st follow up in progress)	2	-	-
2016/17	Fairfield Delivery	Shifa Mustafa	High	Substantial (2 nd follow up in progress)	2	0	0%
2016/17	MOU _ Clinical Commissioning Group	Barbara Peacock	High	Substantial	4	0	0%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(2 nd follow up in progress)			
2016/17	Public Health Integration Funding	Barbara Peacock	High	Substantial (2 nd follow up in progress)	5	0	0%
2016/17	Hyperion Application	Richard Simpson	High	Substantial (No further follow up)	9	8	89%
2016/17	Citrix Security	Richard Simpson	High	Substantial (No further follow up)	2	2	100%
2016/17	Windows Operating System Security	Richard Simpson	High	Substantial (1 st follow up in progress)	5	-	-
2016/17	Cloud Services and Solutions Azure	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	Members- Bring Your Own Devices (BYOD)	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	Service Desk	Richard Simpson	High	Substantial (No further follow up)	6	5	83%
2016/17	WAN Connectivity	Richard Simpson	High	Substantial (1 st follow up in progress)	6	-	-
2016/17	Intranet and Internet Security	Richard Simpson	High	Substantial (2 nd follow up in progress)	2	1	50%
2016/17	Service and Maintenance of Fire Alarm and Emergency Lighting	Shifa Mustafa	High	Substantial (No further follow up)	2	2	100%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					187	150	80%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					17	14	79%
School Audits							
2016/17	The Hayes Primary	Barbara Peacock	Medium	Limited (No further follow up))	12	11	92%
2016/17	Regina Coeli RC primary	Barbara Peacock	Medium	Limited (No further follow up)	7	6	86%
2016/17	Selhurst Children's Centre	Barbara Peacock	Medium	Limited (1 st follow up in progress)	20	-	-
2016/17	St Andrew's C of E High	Barbara Peacock	Medium	Limited (1 st follow up in progress)	19	-	-
2016/17	Virgo Fidelis Convent Senior School	Barbara Peacock	Medium	Limited (2 nd follow up in progress)	12	9	75%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Bensham Manor MLD Secondary	Barbara Peacock	Medium	Limited (1 st follow up in progress)	15	-	-
2016/17	Christ Church CE Primary	Barbara Peacock	Medium	Substantial (No further follow up)	4	4	100%
2016/17	Coulsdon C of E Primary	Barbara Peacock	Medium	Substantial (No further follow up)	2	2	100%
2016/17	Courtwood Primary	Barbara Peacock	Medium	Substantial (No further follow up)	2	2	100%
2016/17	Forestdale Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Greenvale Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	Kenley Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	7	7	100%
2016/17	Kensington Avenue Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	5	83%
2016/17	Keston Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	13	11	84%
2016/17	Monks Orchard Primary School	Barbara Peacock	Medium	Substantial (No further follow up planned)	2	2	100%
2016/17	Orchard Way Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	12	10	83%
2016/17	Park Hill Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2016/17	Park Hill Infants	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2016/17	Ridgeway Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Smitham Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	Archbishop Tenison's Cof E	Barbara Peacock	Medium	Substantial (No further follow up)	8	7	88%
2016/17	Thomas More	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	7	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented		
						Total	Percentage	
2016/17	Redgates SLD & Autism	Barbara Peacock	Medium	Substantial (No further follow up)	11	9	82%	
2016/17	St Giles School	Barbara Peacock	Medium	Substantial (No further follow up)	9	9	100%	
2016/17	St Nicholas MLD & Autism Primary	Barbara Peacock	Medium	Substantial (No further follow up)	6	6	100%	
2016/17	Downsview Primary	Barbara Peacock	Medium	Full (n/a)	0	0	0%	
2016/17	Gresham Primary	Barbara Peacock	Medium	Full (No further follow up)	1	1	100%	
2016/17	St John's C of E Primary	Barbara Peacock	Medium	Full (No further follow up)	2	2	100%	
2016/17	Beckmead School	Barbara Peacock	Medium	Full (No further follow up)	4	4	100%	
School Audits Sub Total: Recommendations and implementation from audits that have had responses						140	127	91%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses						6	5	83%
Recommendations and implementation from audits that have had responses						327	277	85%
Priority 1 Recommendations from audits that have had responses						23	19	83%

Appendix 5 - Follow-up of 2017-18 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2017/18	Mayors Charity	Julian Ellerby	High	No (1 st follow up in progress)	13	-	-
2017/18	Abandoned Vehicles	Shifa Mustafa	High	No (2 nd follow up in progress)	10	7	70%
2017/18	Deprivation of Liberty Safeguards	Barbara Peacock	High	Limited (No further follow up)	4	4	100%
2017/18	Registrars	Barbara Peacock	High	Limited (No further follow up)	6	6	100%
2017/18	Food Safety	Shifa Mustafa	High	Limited (3 rd follow up in progress)	11	6	55%
2017/18	Pay and Display Meter Maintenance and Income Collection	Shifa Mustafa	High	Limited (2 nd follow up in progress)	4	3	75%
2017/18	CALAT Income Collection	Shifa Mustafa	High	Substantial (2 nd follow up in progress)	6	3	50%
2017/18	Youth Offending service	Barbara Peacock	High	Substantial (No further follow up)	3	3	100%
2017/18	Place Review Panel	Shifa Mustafa	High	Substantial (1 st follow up in progress)	-	-	-
2017/18	Admitted Bodies	Richard Simpson	High	Substantial (1 st follow up in progress)	4	-	-
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses						44	32
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses						12	7
School Audits							
2017/18	Elmwood Infants School	Barbara Peacock	Medium	Limited (No further follow up)	14	14	100%
2017/18	The Minster Nursery and Infant School	Barbara Peacock	Medium	Limited (No further follow up)	17	15	89%
2017/18	Norbury Manor	Barbara Peacock	Medium	Limited (1 st follow up in progress)	12	-	-
2017/18	Purley Nursery	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	4	-	-
2017/18	All Saints C of E Primary	Barbara Peacock	Medium	Substantial	8	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(1 st follow up in progress)			
2017/18	Elmwood Junior	Barbara Peacock	Medium	Substantial (No further follow up)	3	3	100%
2017/18	Heavers Farm	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	10	-	-
2017/18	Margaret Roper	Barbara Peacock	Medium	Substantial (2nd st follow up in progress)	16	11	69%
2017/18	Purley Oaks Primary	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	7	-	-
2017/18	Selsdon Primary	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	9	-	-
2017/18	Saffron Valley	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	6	-	-
School Audits Sub Total: Recommendations and implementation from audits that have had responses					50	43	86%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					4	4	100%
Recommendations and implementation from audits that have had responses					94	75	80%
Priority 1 Recommendations from audits that have had responses					16	11	69%

Appendix 6 - Statement of Responsibility

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

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

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Agenda Item 10

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 15 March 2018
SUBJECT:	Anti-Fraud Update Report 1st April 17 – 31 January 2018
LEAD OFFICER:	Simon Maddocks, Director of Governance
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
The work of the Audit & Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services contributing to the achievement of the Council's vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law abiding Borough.	
FINANCIAL SUMMARY:	
The budget provision for the Anti-Fraud service for 2017/18 is £423,000 and the service is on target to be delivered within budget.	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

1. RECOMMENDATIONS

1.1 The Committee is asked to:

- Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2017 – 31 January 2018

2. EXECUTIVE SUMMARY

- 2.1 This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2017 – 31 January 2018.

3. DETAIL

Performance 1 April 2017 to 31 January 2018

- 3.1 The CAFT comprises 12 staff (11.4 FTEs), including investigators an Intelligence Officer and an Investigation Manager. In addition the team receives support from Mazars PSIA Ltd, the Council's external strategic internal audit partner. The CAFT investigates allegations of fraud which affect the Council's business. In addition the team provides a service to the London Borough of Bexley to investigate allegations of fraud against them and provides support to the fraud team at the London Borough of Lambeth. It also provides Financial Investigation services to the Merton/Kingston/Sutton Trading Standards partnership. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 It has been reported previously to this committee that the CAFT was selected as a pilot to take part and help develop the London Counter Fraud Hub (LCFH), alongside Ealing, Camden, and Islington councils. The ambition of the LCFH project is to see all of London matching datasets to identify discrepancy. Examples of these could be people registering housing need in more than one borough, claiming small business rate relief on more than one business or registering to vote in more than one borough. The Proof of Concept (POC) stage of this project is due to be finalised shortly and the Council will need to make a decision regarding whether to commit to the 9 year contract term of this project.
- 3.3 Below are the local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below reflect the focus of the team. Table 2 shows a breakdown of these figures.

Table 1 – Key performance indicators

	ANNUAL TARGET 16/17	ANNUAL TARGET 17/18	17/18 YTD PERFORMANCE
Successful Outcomes	100	120	170
Identified Overpayments & Savings	£1,250,000	£1,250,000	£836,811

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

2016/17		2017/18	
Area	Value £	Area	Value £
Housing 14 Recovered Properties 4 Right to Buy stopped 1 Removed from Housing list 1 Removed from Temporary Accommodation 2 Succession Stopped 14 Notices/Orders*	252,000 405,000 **18,000 18,000 36,000	Housing 15 Recovered Properties 1 Right to Buy stopped 33 Removed from housing list 1 Removed from TA 1 Succession stopped 2 Possession order 12 Legal notices served	270,000 103,900 **66,000 18,000 18,000
Other 14 Formal Cautions 3 Staff Dismissed 4 Disciplinary Action 7 Council tax Discounts 16 Blue Badges Recovered 1 Insurance Claim Stopped 2 Adult Care Package Stopped 4 Safeguarding Referrals 1 No Recourse to Public Funds stopped 1 Insurance Claim Stopped 2 Recommendations for system Improvements 10 Other	260,189	Corporate 12 Formal Cautions 18 Dismissal/Resignation & Other Disciplinary Action 18 Council Tax Discounts 21 Blue Badge Abuse 1 Insurance Reviewed 1 Care Package Stopped 7 Direct Payment 6 Recommendations for Improvements 1 Safeguarding Referral 3 Landlord licence 5 Ctax reduction cancelled 1 NRPF deportation 11 Other	360,911
Total 101	989,189	Total 170	836,811

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

** Non-cashable saving, as cost to the council only arises when someone moves from the list to a tenancy. Value claimed reduced from £18k last year to £2k this year.

3.4 Case study

Blue Badge enforcement

There can be some advantages for investigators working in a building next to premises being refurbished as a Kent resident found out to their cost. In August, an eagle eyed investigator saw a van pull into one of the disabled bays at the top of Edridge Road and observed the driver display a Blue Badge on the vehicle, before changing into work clothes and entering the Impact House. The officer immediately went to the vehicle to photograph the badge and determined it was issued by Bromley Council to an elderly female. A call to parking services to ensure a PCN was issued was followed by a call to investigators at Bromley Council who provided the contact number for that permit.

The investigator called the permit holder who was at home and confirmed that her son had the permit. Later that day when the man returned to his vehicle he was confronted by an investigator who asked him for his details and demanded he hand over the permit, which he refused to do and drove off. Checks with DVLA revealed details of the owner of the vehicle who was invited to an interview under caution. At interview he made a full admission to misusing his mother's permit and apologised for his behaviour when confronted by the investigator. He later accepted a local authority caution and the permit holder was warned about their responsibility to ensure the permit was used solely for their benefit.

4. FINANCIAL INVESTIGATIONS

- The Council employs two Financial Investigators (FIs) who are accredited by the National Crime Agency, and work using the Proceeds of Crime Act 2002. The FIs conduct financial investigations, attend some arrests and searches, undertake cash seizures, attend Crown Court and the enforcement court and give evidence to represent the council. They currently have cases related to the following service areas:
 - Housing Benefit – (legacy cases)
 - Trading Standards - trademark and rogue trader cases;
 - Planning – enforcement case;
 - Licensing; and
 - Internal cases

- 4.1 At the time of writing the F.I's have 15 cases under investigation involving a total of 29 defendants. These investigations relate not only to Croydon cases, but include a case for another council.
- 4.2 F.I's are empowered to apply for restraint and production orders, which are a type of court order agreed by a judge, as well as being able to seize cash over the minimum value of £1,000. A restraint order has the effect of freezing property, including money and assets anywhere in the world that may be liable to confiscation following the trial. The aim of the order is to strike a balance between keeping the defendant's assets available to satisfy any confiscation order which may be made in the event of conviction and meeting the defendant's reasonable requirements in the meantime. In these cases if there is a successful prosecution then a portion of these restrained assets will be returned to the Council. The Council's Financial Investigators currently have £84,600 of cash detained as well as 8 restraint orders in place as follows:
- 25 Bank Accounts
 - 8 Properties
- 4.3 In December 2010 Croydon started the Local Authority Financial Investigators forum to provide support, training and a networking framework and this has grown to 52 members from a wide variety of English councils'

5. LOCAL GOVERNMENT TRANSPARENCY CODE

- 5.1 Members will be aware of the Local Government Transparency Code which requires Councils to publish data about various areas of their activities. Included in the 2014 code is detail on Counter Fraud work, most of this information has always been reported to committee; however there are some new areas which now need to be made public. These are detailed below for the period from April 2017 to January 2018:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	46
Total number of employees undertaking investigations and prosecutions relating to fraud	12.0
Total number of full time equivalent employees undertaking investigations and prosecutions of fraud	11.4
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	11.0
Total number of full time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	10.6
Total number of fraud cases investigated*	417

*The number of investigations that have been closed during the period April '17 to end of January '18.

6. FINANCIAL AND RISK ASSESSMENTS

- 6.1 The budget provision for the audit and anti-fraud service for 2017/18 is £423,000 and the service has been delivered within budget.
- 6.2 There are no further risk assessment issues than those already detailed within the report.

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

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

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

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

8. HUMAN RESOURCES IMPACT

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

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

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

- 9.1 There are no further considerations in these areas.

10. EQUALITIES IMPACT ASSESSMENT

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

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

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Agenda Item 11

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE
	15 March 2018
SUBJECT:	Corporate Risk Register
LEAD OFFICER:	Executive Director Resources & S151 Officer
CABINET MEMBER	Councillor Simon Hall, Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
This report presents the corporate risk register as at 15 March 2018 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.	
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).	
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 15 March 2018

2. EXECUTIVE SUMMARY

- 2.1 The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at 15 March 2018.

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, the following new risk has been **escalated** to red status

EHCSC0010. Risk of exploitation of young people in the Borough particularly in relation to peer on peer activities and children missing from home and care. The risk rating was increased from 16 (high amber) to 20 (red) to reflect the issues, nationally, regionally and locally in this area. There is growing national awareness of the risks to teenagers around sexual exploitation, including County Lines and gang activities. These are a major issue in London. As Croydon has the largest population of teenagers in London and high numbers of children placed in the authority by other LA's, as well as high numbers of Unaccompanied Asylum Seeking Children, this is rightly an area to focus attention. Concern was raised in respect of exploitation of young people within the Ofsted Report (September 2017) and this area will be the focus of the Ofsted Monitoring Visit that is scheduled for March 2018, especially given Ofsted's growing interest in 'contextual safeguarding'.

The following risks have been **de-escalated** to 'high amber' since the report was last considered by Members

DASHPD0043. The delivery of Outcomes Based Commissioning disruption. The risk was reviewed at People Department Leadership Team (DLT) meeting on 19/12/2017 and assessed as high amber (risk score of 16, previously scored at 20) following the implementation of the corporate OBC operating model and the resilience the model provides to mitigate.

EYE0008. Risk that the SEND Service could fail to achieve its objectives and is therefore unable to meet all statutory requirements.

The risk rating was reduced from 20 (red) to 16 (high amber) following consideration at the Departmental Management Team meeting on 20th February 2018. It was identified that the delivery of statutory requirements was being achieved, following significant Service re-organisation and restructure, to a level which allowed the Service to react rapidly and therefore rectify any emerging issues.

- 3.3 In line with the Council's commitment to openness and transparency, the register will appear with the corporate risk report in Part A of the agenda unless, in accordance with the Access to Information Procedure Rules in the Council's Constitution there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).

3.4 It should be noted that some of the grounds for exemption from public access are absolute. However, for others such as that in para.3, ‘Information relating to the financial or business affairs of any particular person (including the authority holding that information)’, deciding in which part of the agenda they will appear, is subject to the further test of whether, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. .

4. FINANCIAL CONSIDERATIONS

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

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

5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

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

(Approved by: Jacqueline Harris-Baker, Director of Law & 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.

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, the LGA etc;
- collaborative working particularly the London Boroughs network, London Councils and the GLA;

- research conducted via professional and generic media mechanisms for example Association of Local Authority Risk Managers, CIPFA etc;
- regular attendance at DMT's / DLT's on a quarterly basis; and
- 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;

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

APPENDICES: Appendix 1 Corporate Risk Register

Corporate Risk Register

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
RCSCFS0001 Simpson, Richard	<p>Demand/budget gap is not bridged without the need for additional cuts to services as the Council faces continued significant reductions in its grant funding, during the period 2017 to 2020. These reductions are imposed whilst the Council experiences a continuous rising demand for services provision and growth in population. The results of the Children's Services OFSTED inspection (June / July 2017) places greater risk on Council budgets due to the need for greater investment in this service.</p> <p>Quarter 3 (2017/18) year end forecast overspend is £5.861m. If this is not reduced it will need to be funded from the Council's reserves which are currently very low (second lowest in the London area) resulting in reduced funding in future years.</p> <p>(Risk reviewed and accepted at DLT 05/12/2017 - Director of Finance & Dep S151 Officer updated 01/03/2018).</p>	<ul style="list-style-type: none"> - Insufficient resources may 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. - Increasing demands for services and support, for example the Council Tax support scheme arrangements ASC & CSC. - 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. <p>(Strategic objective alignment: Enabling)</p>	Simpson, Richard Resources Department	<ul style="list-style-type: none"> a. Corporate Plan aligned to Ambitious for Croydon to ensure priorities align with resources b. Quarterly monitoring with additional monthly controls in respect of the People Department, where the high risk areas are monitored monthly. c. Regular monitoring of all reserves including Managing Demand Projects for both service delivery and financial savings. d. Savings for 18/19 signed off by Cabinet as part of 2018/20 budget setting report. Q3 monitoring presented to cabinet in February 2018. Implementation on agreed management actions ongoing to manage and control budgets. 	5	5	25	<ul style="list-style-type: none"> a. Continue to implement all Savings & Transformation projects to ensure delivery. b. Continued work on savings options with CLT / ELT and Cabinet for both the current year and future years. c. Focus on preventative measures and early intervention particularly with identified top high cost families d. Children's Social Care - implementation of The Improvement Plan. e. Adult Social Care - review of all contracts. f. Input to government review as part of 100% business rates retention and fair funding review to ensure needs analysis part of the formula reflects the pressures faced by Croydon. There is continued and ongoing engagement with government on future changes including business rates, schools funding and UASC finding to ensure needs of Croydon are met. 	5	4	20

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
								g. Respond to the technical consultation regarding the Fair Funding Review by March 2018.			
DASHPD0044	Social Care market supply disruption:- The capacity within the social care market is challenged through structural underfunding. Provider failure is more common than previously leading to the potential of severe disruption Under the care act the council has duty to manage the market (Risk reviewed, amended and accepted at PEOPLE Department DLT 20/02/2018).	- Reduction in choice. - Failure to meet service user needs. - Delayed discharge from hospital. - Budget pressure due to reduction in competitive supply. - Quality diminishes. - Safeguarding increase. - Increase provider concerns. - Increased provider failure.	Peacock, Barbara People Department	2017/18 internal audit (in play). Brokerage Quality Assurance. IBCF Market sustainability plan . Inflation strategy. Integrated Framework Agreement. Market position statement. Pan London provider concern's process. Quality assurance framework and contract management.	5	4	20	ADASS Pan London minimum standards programme. Alliance Commissioning strategy. Further joint commissioning in the Alliance. IFA refresh. Opportunity of scope extension in the Alliance. Refreshed Market position statement. Restructure of brokerage and contract management function.	5	3	15
EHCSC0001	Consistency in the high numbers of unaccompanied asylum seekers (minors) where there is a statutory obligation to provide care/housing and a reduction in Home Office funding for them. There are additional implications in respect of the increases in relation to trafficked children and missing children as well as the implications of placing children we do not know in placements outside of the borough. There are also challenges being faced in the successful implementation of the National Dispersal Scheme and Immigration Act. (Risk reviewed and accepted at People DLT 20/02/2018).	- 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.	Peacock, Barbara People Department	Continued work with the Home Office to ensure that only appropriate young people are placed. Emphasis on wider negotiation of fair funding arrangements for Croydon Increased use of the rota to place young people in other boroughs	5	4	20	Financial implication / impact for 2017/18 financial year Scoping of financial risk / impact for each quarter. Further engagement with Home office and Association of Directors of Children Social Services Implementation of the National Transfer Scheme	5	4	20

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				The Council has held meetings with the Immigration Minister and others in Home Office. Ongoing correspondence, conversations and clarifications with Home Office taking place.				Service redesign in accordance with Immigration Act requirements. Ongoing work to ensure compliance and ensure opportunities are utilised through a formal system for dispersing unaccompanied child migrants as introduced by central government.			
EHCSC0010 Peacock, Barbara	Risk of exploitation of young people in the Borough particularly in relation to peer on peer activities and children missing from home and care. (Risk reviewed at People Department DLT 20/02/2018 - Executive Director review 05/03/2018).	- Children feeling and being unsafe - Significant risk of harm to young people in the Borough through CSE, being missing and/or trafficked - Risk of harm to Croydon children placed away from Croydon without prevention, disruption and protection activity.	Peacock, Barbara People Department	Choose Life campaign. Close liaison with the police and other agencies CSE meetings, Missing panels and monthly MASE panel. Focused work with our schools around gangs and County Lines. Investment in a data analyst to understand the underlying issues and themes emerging so targeted preventative working can be developed. Investment made in expanding the team to complete – return home interviews – now up to 61% completion. Much improved single performance and data report available now. Recently established a vulnerable adolescents team within Children's Social Care. Working Gangs teams.	5	4	20	Greater awareness and robust actions by all partners. Restructured CSE and Missing approach in place and reporting to the Safeguarding Childrens Board. 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 NRM referral rate, realistic number of children tracked at risk of CSE and risks reducing) Work with other local authorities to reduce placements of vulnerable children in Croydon.	5	3	15

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
EHCSC0012 Peacock, Barbara	The OFSTED inspection of 'Services for children in need of help and protection, children looked after and care leavers' judged the Council's Children's Services as 'inadequate'. Following publication of the inspection report, the Council fails to action the recommendations raised or to address the findings resulting in children and young people at risk of harm, central government intervention, more frequent unannounced inspections and the removal of direct control by the Council for its Children's Services function within the borough. (Risk reviewed, amended and accepted at PEOPLE Department DLT 20/02/2018).	- Reputational damage. - Government intervention. - Children in need of 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 - Legislative action arising. - Difficulty in recruiting and retaining experienced and effective workforce. - Media scrutiny. - Political scrutiny and activity. - Increased referrals to children's social care and associated service/financial pressures.	Peacock, Barbara People Department	* £3.5m additional investment in 2017-18 and £10.9M into base budget in 2018-19. Children's Improvement Board independently chaired. Implementation of Children's improvement plan which includes: * recruitment and retention of staff. * improved performance management and quality assurance of practice. * improve early help help to intervene earlier and prevent problems escalating. * strengthen Children's Safeguarding Board under a new, experienced independent Chair. Monthly budget plan, 'Hard to Place' panel and Early years implementation strategies.	5	4	20	Detailed planning for and response to quarterly Ofsted monitoring visits to check progress against the Improvement Plan and drive deeper, swifter improvements. Intensive peer support between Camden and Croydon from 01/04/18 for a year in the first instance, following the Ministerial decision that Croydon should retain control of children's services. Ongoing improvement identification. Recruit additional social workers and managers to meet the rapidly increasing post-Ofsted demand and keep caseloads at manageable levels.	5	4	20
RCSP0120 Ireland, Sarah	In year budget and future demand pressure in relation to SEN Transport. Independent travel programme not achieving projected cost avoidance and cost reduction target. (Risk reviewed and accepted at DMT 07/02/2018).	- Financial and Service impact. - Reputational damage.	Simpson, Richard Resources Department	Focus of programme is adjusted in line with areas of growth in demand and cost Financial models and associated trackers have been developed to monitor financial targets. Operating as part of the corporate Demand Management programme.	5	4	20	Development and implementation of full cost savings programme including policy change where the Council has discretion. Identify impact from SEN 5 year projection modelling.	5	3	15

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				<p>Robust monitoring and governance in place through monthly boards attended by Members and chaired by the Exec Director of Resources and bi-monthly programme boards.</p> <p>Areas of focus:</p> <ul style="list-style-type: none"> -Financial monitoring -Cost mitigation plans -Demand management -Alternative travel -Effective framework management and future procurement options -Integration of Adult Services 				<p>Improved partnership work with SEN and Adult Social Care.</p> <p>New SEN Free School in New Addington to reduce demand for SEN transport across borough</p> <p>Review data to inform growth projections and future changes in demand and cost</p> <p>Tighter panel review and governance processes for all travel needs, with a particular focus on high cost cases</p>			

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General Purposes & Audit Committee

Annual Report 2017/18

Forward

It is my pleasure to bring this annual report of the General Purposes and Audit Committee for 2017/2018. The report highlights the important work of the committee over the last and I would like to thank the officers and auditors for all their input and advice over the last year.

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.

Over the last year we have made aware of improvements to service delivery, fraudulent activity and prevention work and discussed and understand the changing timescales being implemented by CIPFA to bring forward the closing of accounts and audit process. Officers and the Committee are working hard with our auditors to make sure this will been a smooth transition. We are on the right track to make sure this is on time.

A diverse agenda always makes sure we have an interesting meeting that covers a vast range of issues giving members some knowledge into most departments across the Council.

The Antifraud Team has been vociferous in their 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. Joy replaced Cllr Kathy Bee who stood down in the year. I would also like to thank her for her work and knowledge and for stepping up to the challenge.



**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 2017/18, outlining the progress in:
 - Internal Control;
 - Risk management;
 - Internal Audit;
 - Anti-fraud;
 - External Audit;
 - Financial reporting
3. Table 1 details the Committee Members during 2017/18. 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 2017/18

Member	Role
Councillor Karen Jewitt	Chair
Councillor Kathy Bee	Vice-Chair (Part Year)
Councillor Joy Prince	Member Vice Chair (Part Year)
Councillor Jeet Bains	Member
Councillor Jan Buttinger	Member
Councillor Jason Cummings	Member
Councillor Mike Fisher	Member
Councillor Sherwan Chowdhury	Member
Councillor Patricia Hay-Justice	Member
Councillor Bernadette Khan	Member
Councillor Patsy Cummings	Member (Part Year)

Mr Muffaddal Kapasi	Non-Elected, non-voting Independent Member
Mr Nero Ughwujabo	Non-Elected, non-voting Independent Member (Part Year)
Reserve Members:	
Councillors: Councillors: Carole Bonner, Pat Clouder, Maddie Henson, Steve Hollands, Humayun Kabir, Dudley Mead, Andrew Rendle, Donald Speakman, James Thompson and John Wentworth.	

4. Independent non-voting Members play an important part in the deliberations of the committee and bring useful additional skills and external perspective. The committee would like to express its thanks to those people who have given of their time during the year to work alongside the elected Members.
5. This report details the work of the Committee in 2017/18.

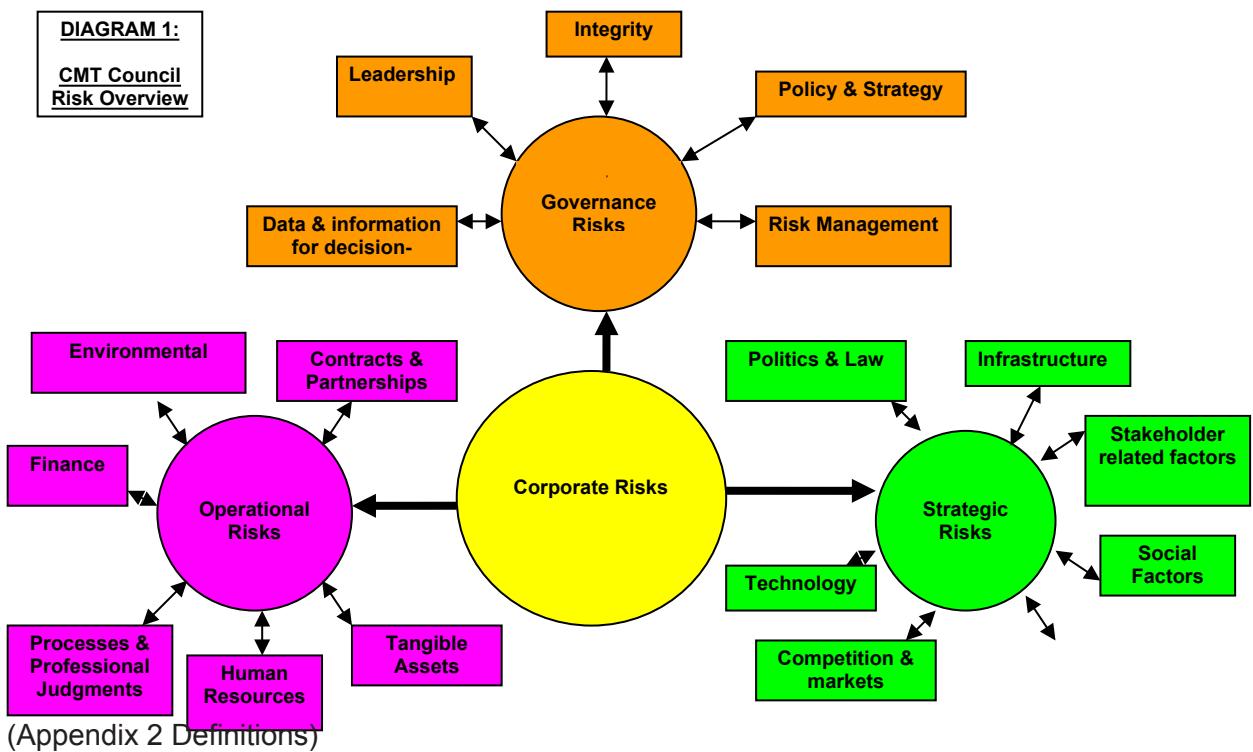
Internal Control

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

Risk Management

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

framework and the strategic, financial and performance management frameworks using the reporting framework detailed in Diagram 1.

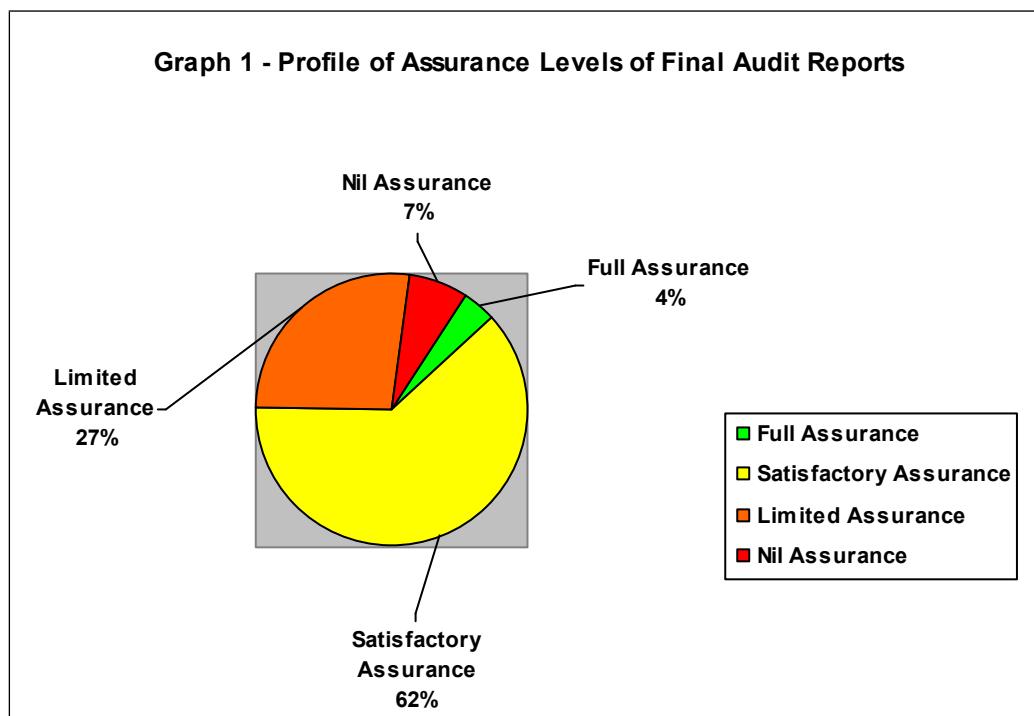


10. The reporting process to Department Leadership Teams and to the Council's Governance Board is complimented by the Committee reviewing the Council's key risks. At all Committee meetings Members review the current risks being reported to DLTs. There is in-depth review and challenge in relation to the risks presented and crucially the risk management framework underpinning it.
11. The Committee has monitored the continued development of the council-wide, risk register system including a training programme for all risk owners. The content of the registers maintained on the system is refreshed quarterly by a facilitated risk review and challenge session with each Director and their management team.
12. The software and approach to risk management is used where appropriate to manage the challenges associated with the delivery of significant projects. As part of a revised approach to corporate programme management an extensive development programme has been delivered to continue to ensure all significant projects have a risk register set up and facilitate training and support for all project officers in risk management methodologies in relation to projects and programmes.
13. The Internal Audit programme continues to be based on the risk registers and Internal Audit has view only access to assist its risk based audit approach, ensuring it is dealing with the most up to date information. Following audit reviews, the resultant report is mapped against the

identified risk on the risk register. This gives a complete picture of how the Council is managing the challenges it faces in delivering its objectives.

Internal Audit

14. The 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 2008 and will end on 31st March 2018. During the course of the year, following a full EU procurement, a new contract has been let, again to Mazars, which will commence on 1st April 2018 and run for a period of 6 years with an option to extend for a further 2 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 66% of the audits have full or satisfactory assurance compared to 94% for the same period last year. Council wide, the performance in audits has declined against the previous year.



17. To help improve internal audit results and internal control more generally the Council's Governance Team continues to organise and lead, with support from other colleagues, a series of workshops under the banner of 'Doing the Right Thing' to raise awareness of key corporate policies

and procedures. Over the last few years around 1000 managers and staff have attended these workshops. Immediate feedback shows that these have been very well received. Work is now being undertaken to provide training and awareness via the Council's new e-learning platform in the hope that this will enable more staff to benefit from this more flexible delivery.

18. A key measure of the Internal Audit service's effectiveness is the action taken in implementing audit recommendations. The target for implementation of recommendations is 80% for priority 2 and 3 recommendations and 90% for priority 1 recommendations. The stringent approach to the follow up process has continued with tight timescales for follow up work linked to the level of assurance.
19. Table 2 details the performance in this area in all follow up work completed since 1st April 2013. Indications are that the targets for recommendations for 2016/17 will also be achieved when the follow up programme is completed.

Table 2: Implementation of Previous Years Audit Recommendations to date

	Target	2013/14	2014/15	2015/16	2016/17
Implementation of priority one recommendations at follow-up	90%	100%	96%	86%	83%
Implementation of all recommendations at follow-up	80%	96%	94%	88%	85%

20. In 2017/18, Internal Audit is on target to complete 100% of field work for the audit plan in-year for the twelfth successive year. The main performance indicators are detailed in Table 3.

Table 3: Internal Audit Performance 2017/18 year

Performance Objective	Annual Target	Actual performance [to Jan 18]	RAG
% of planned 2017/18 audit days delivered	100%	75%	G
% of 2017/18 planned draft reports issued	100%	56%	G
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	89%	G
% of qualified staff engaged on audit	40%	41%	G

Anti-Fraud

21. The Council has continued with its plan to improve counter fraud awareness across the Council and to strengthen working with our partners. This has included:
 - Counter Fraud newsletter for Members and staff communicating key counter-fraud messages, issues and cases;
 - Further developing the Croydon Fraud & Enforcement Forum, a regional forum bringing all key partners together across the public sector to work together to combat fraud – acknowledged as an example of good practice; and
 - Implementing a learning and development programme, including face to face and e-learning opportunities.
 - Becoming a pilot authority in the London Counter fraud Hub which it is hoped will ultimately drive up detection of fraud and corruption against the council by the use of advanced data analytics. Most London Boroughs have indicated that, in time, they are likely to join which will enhance the effectiveness of the project.

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 current round has so far identified £157k of fraud or error, for which recovery action will be taken where possible. There are a number of further investigations ongoing.

Corporate Anti-Fraud Team performance

25. By the end of January 2018 the team had identified in total over **£800k** with **170** successful outcomes including the recovery of 15 council properties and a fraudulent Right to Buy application stopped. With the current pressure on available housing in the borough, these actions have released properties for use by those who have genuine need.
26. CAFT in 2017/18 has continued to have several complex cases requiring a multi-agency approach to deal with the issues of fraudulent activity identified. These have resulted in some very good local press coverage. The team has also recently featured in the prime-time BBC1 programmes 'Britain of the Fiddle' and 'Council House Crackdown'.

27. 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, London Audit Group, The London Counter Fraud Hub, Croydon Fraud & Enforcement Forum and the APEX Audit & Anti-Fraud Partnership which is organised and hosted by Croydon Council.

External Audit

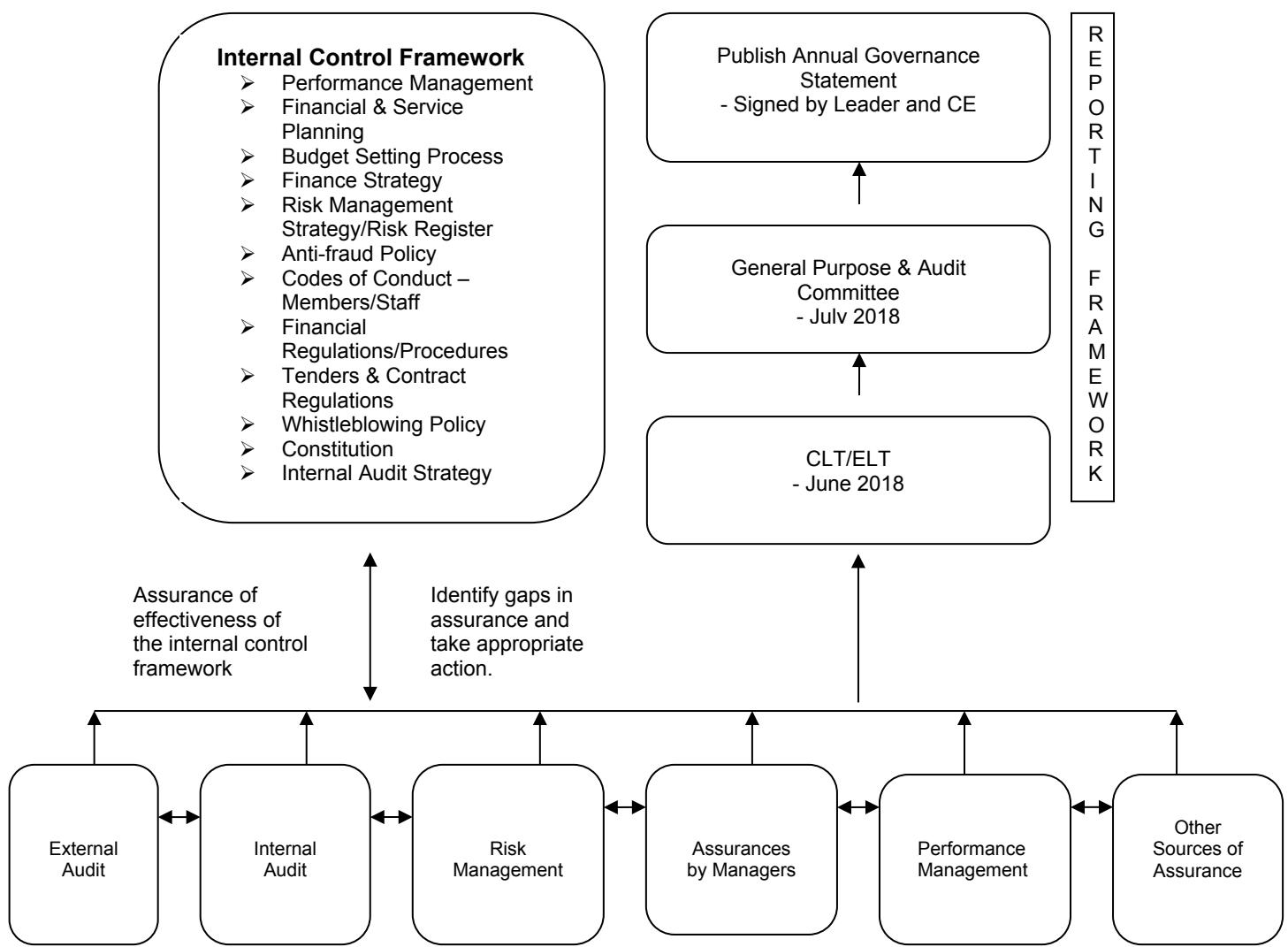
28. The Council's external audit service is currently provided by Grant Thornton (GT) under a contract let on Croydon's behalf by Public Sector Audit Appointments Ltd. GT works in partnership with the Council ensuring its governance processes are effective. They have been invited and attended all of 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

29. In June 2017, the Committee reviewed the annual accounts in detail asking a number of questions before approving them for audit. The accounts came back again before the Committee in September before being published. This is done annually and will be done again over the coming year, although the timescale has now been shortened by the Government and the accounts will be cleared by the Committee in July 2018.

Appendix 1

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 ➤ National/local KPI's ➤ Periodic progress reports ➤ Performance Management function ➤ Scrutiny Function | <ul style="list-style-type: none"> ➤ Fraud reports and investigations ➤ Reports by inspectors ➤ Post implementation reviews of projects ➤ Working party reports ➤ Ombudsman reports ➤ Contracts & Commissioning Board ➤ Strategic Finance Forum ➤ Corporate Programme Board ➤ Fraud & Enforcement Forum |
|--|--|---|---|--|--|

Appendix 2

Categories of Risk

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

