

General Purposes & Audit Committee

**Draft
Annual Report
2018/19**

Foreword

I am pleased to bring this report to Full Council covering the year 2018/19. Having joined the General Purposes and Audit Committee in May 2018 I have been impressed by the work of the team and the Committee in getting up to speed quickly to ensure a robust audit process was in place for the 2017/18 financial year close.

This year as a Committee we have focused on a number of key areas which present long term risk to the Council namely the matters of school budgets; social care and unaccompanied asylum seeker children.

These areas are placing increased stress on the Council budget through a mixture of Government underfunding of Croydon's unique position as a gateway borough and the UK wide challenges surrounding school and social care funding.

As a Committee we have worked well across the political divide to embrace these issues and it is reassuring that we have been able to get to the detail of these very important matters.

With the appointment of Nosheen Hasan as our second co-opted member alongside Muffaddal Kapasi we have been able to expand the expertise of the Committee, filling a long-term vacant post, and I would like to thank both for their important contributions across the year.

Over the year the anti-fraud team has continued to excel and it is positive to see this function performing so consistently.

In terms of fraud prevention, a lot is changing across London with the development of the Counter Fraud Hub, of which Croydon is a pilot member. I hope to see the results of this important initiative deliver benefits to Croydon over the coming years.

I wish to conclude by thanking the Committee, my Vice-Chair Cllr Joy Prince, and officers for their work over the year in particular Richard Simpson who has left the Council mid-year and Lisa Taylor who has stepped up to fill his shoes.



Cllr Stephen Mann
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 2018/19, outlining the progress in:
 - Internal Control;
 - Risk management;
 - Internal Audit;
 - Anti-fraud;
 - External Audit;
 - Financial reporting
3. Table 1 details the Committee Members during 2018/19. Members have a wide range of skills and bring both technical and professional experience to the role. All the Members have some experience in relation to the governance processes they challenge. This provides a solid foundation from which to develop the Committee's role.

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

| Member | Role |
|------------------------------|---|
| Councillor Stephen Mann | Chair |
| Councillor Joy Prince | Vice-Chair |
| Councillor Clive Fraser | Member |
| Councillor Jerry Fitzpatrick | Member |
| Councillor Patsy Cummings | Member |
| Councillor Mary Croos | Member |
| Councillor Jan Buttinger | Member |
| Councillor Oni Ovir | Member |
| Councillor Ian Parker | Member |
| Councillor Steve Hollands | Member |
| Mr Muffaddal Kapasi | Non-Elected, non-voting Independent Member |

| | |
|--|--|
| Mrs Nosheen Hassan | Non-Elected, non-voting Independent Member (Part Year) |
| Reserve Members: Councillors: Maddie Henson, Toni Letts, Pat Clouder, Jamie Audsley, David Wood, Sherwan Chowdhury, Jason Cummings, Badsha Quadir, Stuart Millson and Simon Brew | |

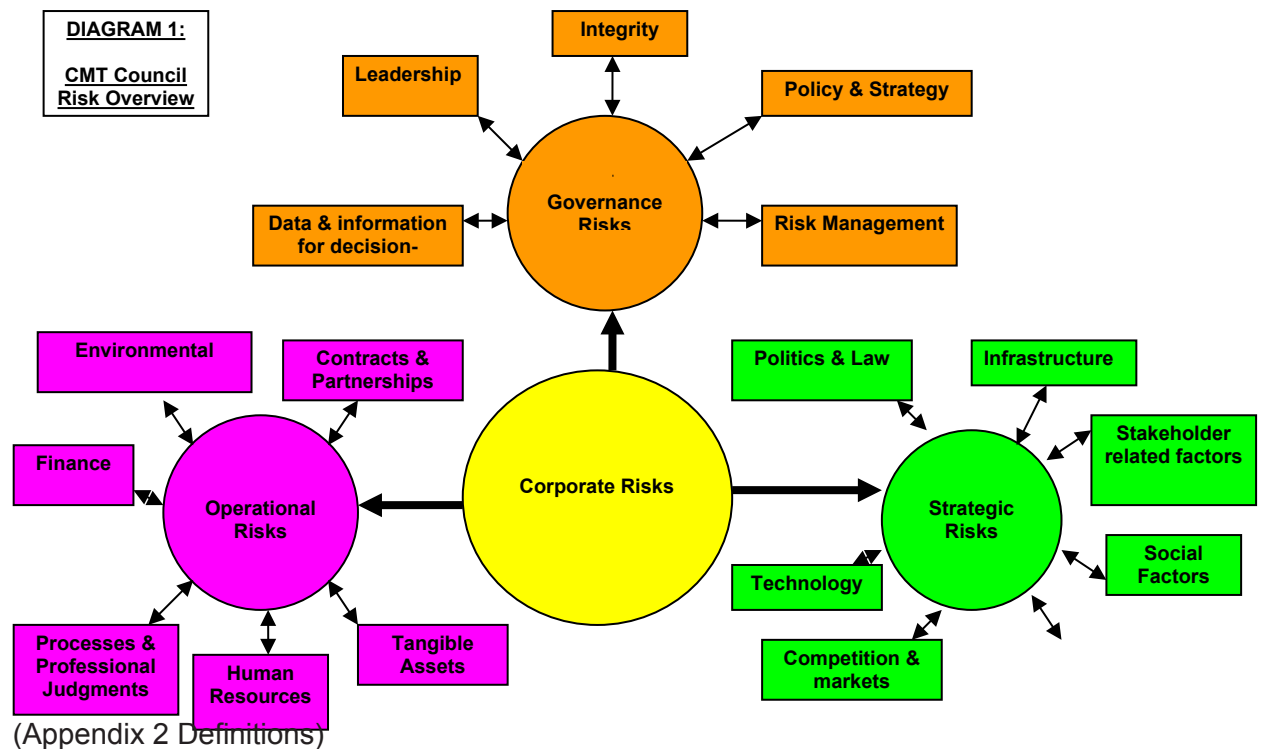
4. Independent non-voting Members play an important part in the deliberations of the committee and bring useful additional skills and external perspective. The committee would like to express its thanks to those people who have given of their time during the year to work alongside the elected Members.
5. This report details the work of the Committee in 2018/19.

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 service areas.
8. To support its understanding of issues relating to internal control and to emphasise its commitment to a robust internal control environment, the committee invites officers to attend its meetings to give briefings in relation to strategic risks and what is being done to mitigate them. It also invites officers to give explanations where significant issues are identified through internal audits.

Risk Management

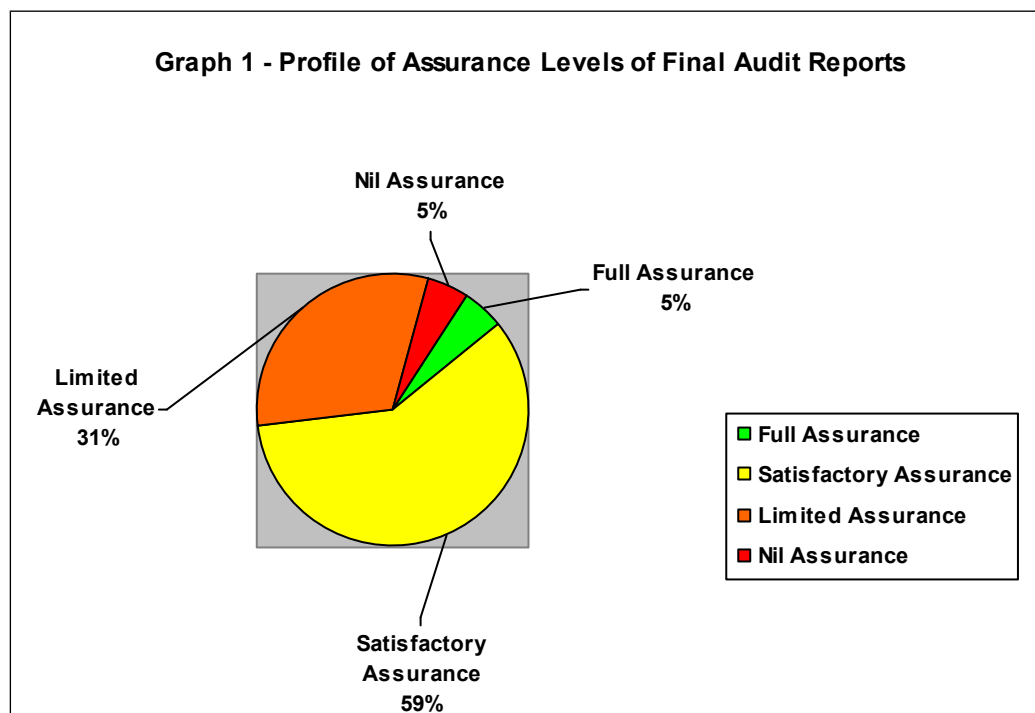
9. The Council has an excellently performing, award winning risk management framework. This includes a quarterly reporting process for the Department Leadership Teams (DLT) and to the Council's Governance Board, where the Council's key strategic risks are identified and reviewed ensuring integration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



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

Internal Audit

14. The work of the Council's internal audit service is delivered in partnership with Mazars Public Sector Internal Audit Limited. The current contract began on 1st April 2018 and will end on 31st March 2024 with the possibility of extending for a further two years.
15. The alignment of the audit programme to the Council risk management framework has focused internal audit on the key challenges the Council faces and therefore, the issues that if not managed, could lead to strategic objectives not being achieved. The enhanced focus on these key challenges has continued to improve the value added by the service and is demonstrated in the increased strategic engagement of Directors and departmental leadership teams in the audit programme.
16. Graph 1 shows that at the time of writing 64% of finalised audits have full or satisfactory assurance compared to 67% 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 over 1000 managers and staff have attended these workshops. Immediate feedback shows that these have been very well received. Work has been 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 2014.

Table 2: Implementation of Previous Years Audit Recommendations to date

| | Target | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|--------|---------|---------|---------|---------|
| Implementation of priority one recommendations at follow-up | 90% | 100% | 91% | 88% | 82% |
| Implementation of all recommendations at follow-up | 80% | 94% | 86% | 85% | 78% |

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

Table 3: Internal Audit Performance 2018/19 year

| Performance Objective | Annual Target | Actual performance [to January 19] | RAG |
|--|---------------|------------------------------------|----------|
| % of planned 2018/19 audit days delivered | 100% | 78% | G |
| % of 2018/19 planned draft reports issued | 100% | 47% | A |
| % of draft reports issued within 2 weeks of exit meeting with the Client | 85% | 88% | G |
| % of qualified staff engaged on audit | 40% | 42% | 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:
- Annual Counter-Fraud newsletter for Members and staff communicating key counter-fraud messages, issues and cases;
 - Signing an SLA with the Department for Work and Pensions to begin again joint working, including joint interviewing and the sharing of data, intelligence and evidence
 - 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.
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 2017/18 round identified **£241k** of fraud or error, for which recovery action will be taken where possible. The Cabinet Office has just released the 2018/19 exercise to local authorities and officers across the council will be working through the 6,500 records identified for checking.

Corporate Anti-Fraud Team performance

24. By the end of January 2019 the team had identified in total over **£983k** (against an annual target of £1m) with 137 successful outcomes including the recovery of 7 council properties and recovered 19 Blue Badges that were being misused. Also identified is an organised fraud with blue badges. Demand for available disabled parking is expected to increase from April this year, when the qualifying conditions are extended to those with mental health conditions. The team continues to work with colleagues from across London on this organised fraud and is committed to identifying and stopping the organisers, as well as those using the fraudulent badges.
25. The fraud team in 2018/19 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 on the Fiddle' and 'Council House Crackdown'.

26. Croydon continues to lead in setting the agenda relating to public sector anti-fraud activity. This is achieved nationally, regionally and locally by taking a leading role in a number of organisations, including:
- The National Anti-Fraud Network, with representation on the Executive Board
 - London Audit Group, with representation on the Executive Board
 - The London Counter Fraud Hub, Croydon was chosen as one of the pilot local authorities to test and develop this potentially ground breaking project which, if successful, would see London come together to share data to identify and stamp out fraud.
 - The APEX Audit & Anti-Fraud Partnership which is organised and hosted by Croydon Council and provides internal audit to 40 other local authorities
 - The Government Counter Fraud Profession, Croydon was invited to join the working group developing counter-fraud as a recognised profession across the public sector.

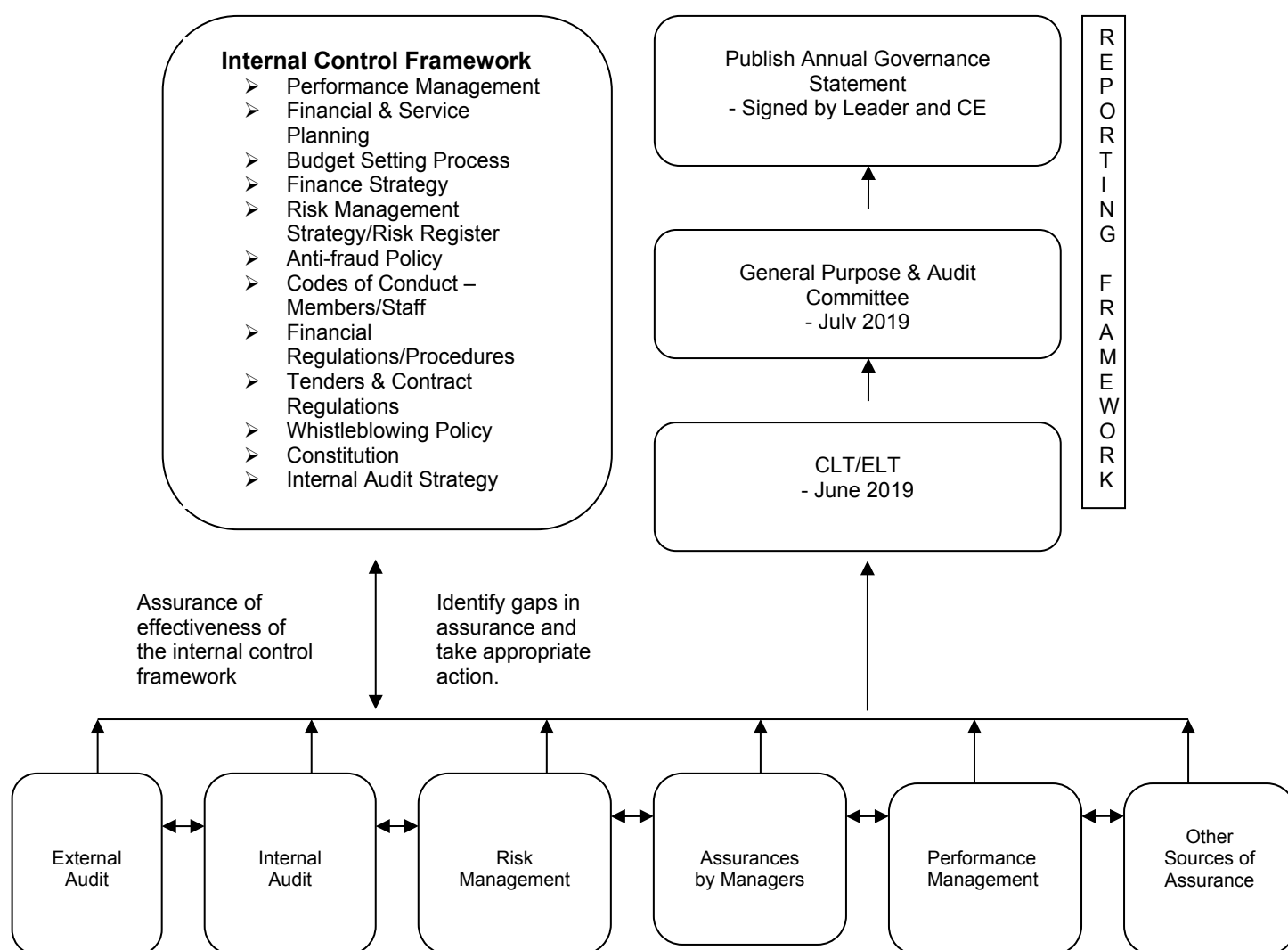
External Audit

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

Financial Reporting

28. In July 2018, the Committee reviewed the annual accounts in detail asking a number of questions before approving them in advance of publication. This timescale reflected a shortening of two months by the Government in the timetable. This review will now be carried out in July each year.

Council Framework for the Annual Governance Statement



COUNCIL ASSURANCE FRAMEWORK

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

Appendix 2

Categories of Risk

| STRATEGIC (external drivers) | Source of Risk | Risk Examples |
|--|-----------------------------|---|
| | Infrastructure | Functioning of transport, communications and utilities infrastructure. The impact of storms, floods, pollution. Development in Borough renders infrastructure inadequate. |
| | Politics & Law | Effects of changes of government policy, UK or EC legislation, national or local political pressure or control, meeting the administration's manifesto commitments. |
| | Social Factors | Effects of changes in demographic, residential and social trends on ability to deliver objectives. Excess demands on services. |
| | Technology | Capacity to deal with obsolescence and innovation, product reliability, development and adaptability or ability to use technology to address changing demands. |
| | Competition & markets | Affecting the competitiveness (cost & quality) of the service &/or ability to deliver Best Value and general market effectiveness. |
| | Stakeholder-related factors | Satisfaction of: citizens, users, central and regional government and other stakeholders regarding meeting needs and expectations. |
| | Environmental | Environmental consequences of progressing strategic objectives (eg in terms of energy efficiency, pollution, recycling emissions etc.) |

| OPERATIONAL (internal drivers) | Finance | Associated with accounting and reporting, internal financial delegation and control, failure to prioritise or allocate budgets. Insufficient resources or lack of investment. |
|--|-------------------------------------|---|
| | Human Resources | Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, reliance on consultants, employment policies, health & safety, and absence rates. Migration of staff to contact centre. |
| | Contracts & Partnerships | Failure of contractors to deliver services or products to the agreed cost & specification. Issue surrounding working with agencies. Procurement, contract and relationship management. Overall partnership arrangements, eg for pooled budgets or community safety. PFI, LSVT and regeneration. Quality issues. |
| | Tangible Assets | Inadequate building/assets. Security of land and buildings, safety of plant and equipment, control of IT hardware. Issue of relocation. |
| | Environmental | Relating to pollution, noise or the energy efficiency of ongoing operations. |
| | Processes & professional judgements | Errors and omissions associated with professional judgement. Inspection compliance, project management, performance management, benefits system, environmental management system (EMS). Not achieving targets, failure to implement agendas and service failure. Also risks inherent in professional work. |

| GOVERNANCE | Integrity | Fraud and corruption, accountability and openness, legality of actions and transactions and limits of authority. |
|-------------------|--|---|
| | Leadership | Reputation, publicity, authority, democratic renewal, trust and identity. |
| | Policy & strategy | Ensuring clarity of purpose and communication. Policy planning, community planning and monitoring and managing overall performance. Not seeking or following advice from the centre. |
| | Data & information for decision making | Data protection, data reliability and data processing. Information and communication quality. Effective use and interpretation of information. Control of data and information. E-government and service delivery. Inappropriate and/or lack of software. Storage issues. |
| | Risk Management | Incident reporting and investigation, risk measurement, evaluation and monitoring. Internal Control and Business Continuity Issues. |

