

# **General Purposes & Audit Committee**

## **Annual Report 2019/20**

## Foreword

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

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

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

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

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

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



**Cllr Karen Jewitt**  
**General Purposes & Audit Committee Chair**

## Introduction

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

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

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

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

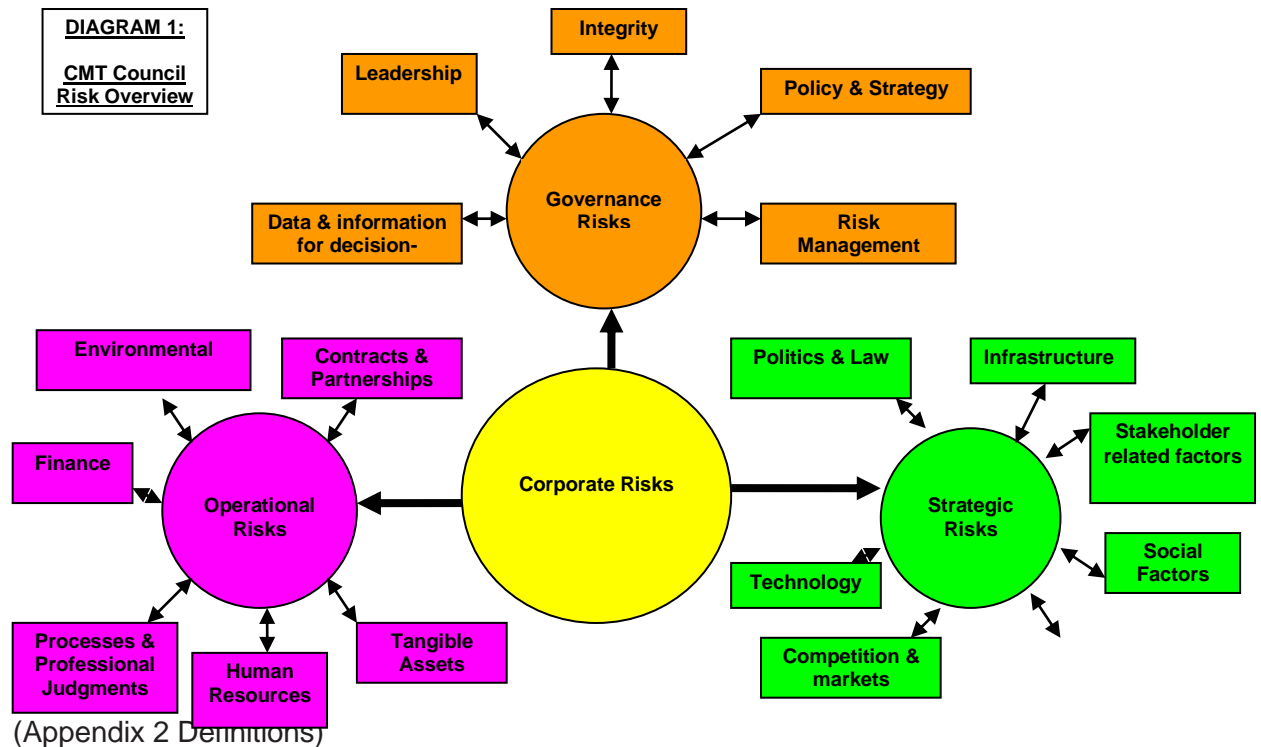
4. Independent non-voting Members play an important part in the deliberations of the committee and bring useful additional skills and external perspective. The committee would like to express its thanks to those people who have given of their time during the year to work alongside the elected Members.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

### **Internal Control**

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

### **Risk Management**

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



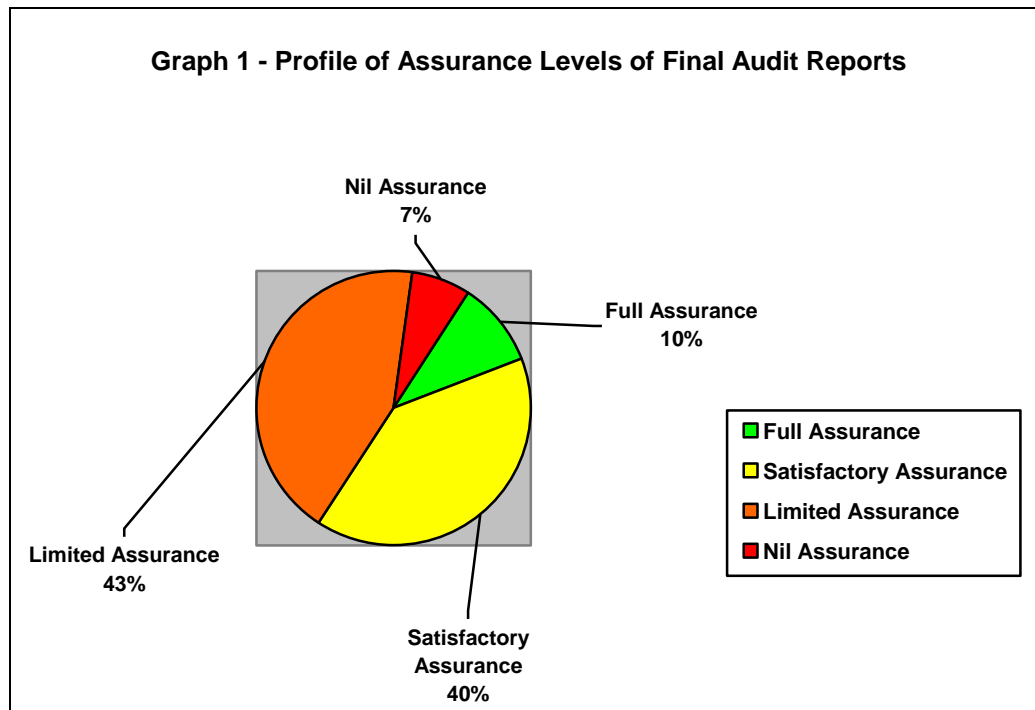
10. The reporting process to Department Leadership Teams and to the Council's Governance Board is complemented by the Committee reviewing the Council's key risks. At all Committee meetings Members review the current risks being reported to DLTs. There is in-depth review and challenge in relation to the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

### Internal Audit

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

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

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



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

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

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

**Table 2: Implementation of Agreed Actions to date**

	Target	2015/16	2016/17	2017/18	2018/19	2019/20
Percentage of priority one agreed actions implemented at the time of the follow up audit	90%	100%	93%	94%	73%	81%
Percentage of all agreed actions implemented at the time of the follow up audit	80%	95%	91%	89%	78%	85%

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

**Table 3: Internal Audit Performance 2019/20 year**

Performance Objective	Annual Target	Actual Performance	RAG
% of planned 2019/20 audit days delivered	100%	<b>83%</b>	<b>A</b>
% of 2019/20 planned draft reports issued	100%	<b>65%</b>	<b>R</b>
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	<b>87%</b>	<b>G</b>
% of qualified staff engaged on audit	40%	<b>39%</b>	<b>A</b>

21. As with all parts of the organisation, internal audit work was disrupted at the very end of the year by the COVID-19 pandemic and our internal audit contractor furloughing their internal audit team. This resulted in a halt to most internal audit work and the need to carry forward some residual work into the new year. The approved internal audit work plan for 2020/21 will be reviewed to see if there are amendments needed to take account of new risks identified since the year end.

### Anti-Fraud

22. The Council has continued with its plan to improve counter-fraud awareness across the Council and to strengthen working with our partners. This has included:
- Assisting neighbouring boroughs by providing expertise in the form of staff resources where they have gaps in expertise and generating income for Croydon Council.

- Maintaining a learning and development programme, including face to face and e-learning opportunities.
  - Maintaining a fraud hotline which is widely advertised and used by the public and was used 145 times in 2019/20.
23. 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)*

24. The NFI is a biennial data matching exercise undertaken by the Cabinet Office. This is a national exercise and every Council in England and Wales participates, along with many other public sector bodies. The exercise has legal powers to undertake data-matching across the public sector to prevent fraud and corruption. The Council's participation in the 2019/20 round has so far identified **£231k** of fraud or error across 349 cases, for which recovery action will be taken where possible.

*Corporate Anti-Fraud Team performance*

25. Between 1<sup>st</sup> April 2019 and 31<sup>st</sup> March 2020 the Anti-Fraud team had identified in total over **£1.4m** (against an annual target of £1m) with 181 successful outcomes including 10 prosecutions.
26. Croydon continues to lead in setting the agenda relating to public sector anti-fraud activity. This is achieved nationally, regionally and locally by taking a leading role in a number of organisations, including:
- The National Anti-Fraud Network, with representation on the Executive Board
  - London Audit Group, with representation on the Executive Board
  - The Government Counter Fraud Profession, Croydon was asked by the Cabinet Office to lead on the conversion of the first local authority investigators from their existing professional standards into the new counter-fraud profession for the public sector.
  - The APEX Audit & Anti-Fraud Partnership which is organised and hosted by Croydon Council and provides internal audit to 40 other local authorities

**External Audit**

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

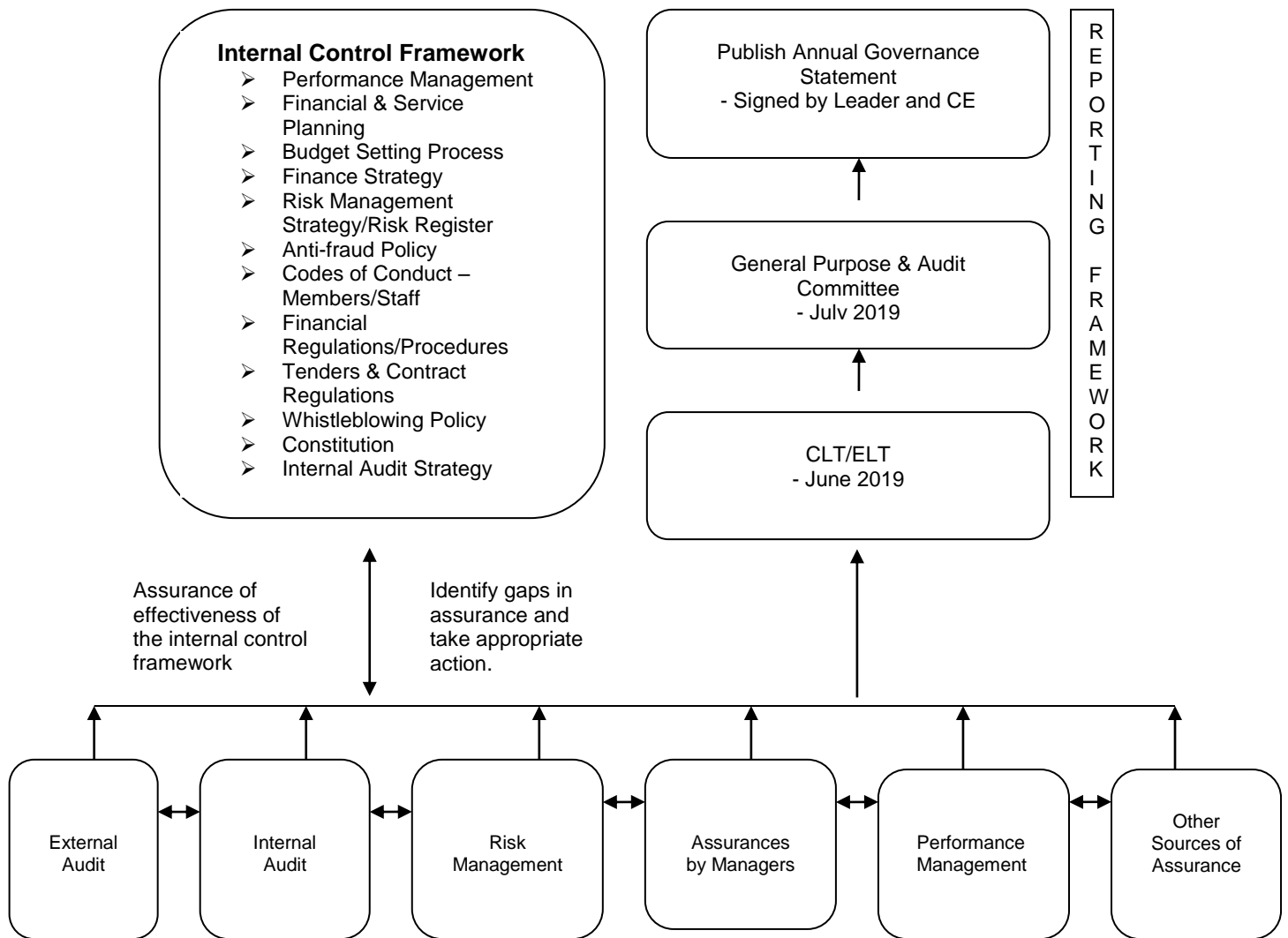


28. It should be noted that both the production of accounts, and external audit timescales will be delayed for 2019/20 as a result of COVID-19. The revised timescales are that the unaudited statement of accounts is required to be published before 1<sup>st</sup> September 2020 and the final audited accounts are required to be completed by 30<sup>th</sup> November 2020.

### **Financial Reporting**

28. In July 2019, the Committee reviewed the annual accounts in detail asking a number of questions before approving them in advance of publication. Whilst this review would be carried out in July each year, given the delays to the financial reporting process set out above, it is proposed that this review of the financial statements would take place in October or November in 2020.

**Council Framework for the Annual Governance Statement**



**COUNCIL ASSURANCE FRAMEWORK**

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

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

<b>OPERATIONAL</b> (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.

<b>GOVERNANCE</b>	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.

