

General Purposes & Audit Committee

Annual Report 2014/15

Forward

I am grateful to present this first annual report of the General Purpose and Audit Committee set up by the new administration since the elections of May 2014.

The Committee, made up of ten members and two independent non-voting members, has a wide ranging remit including audit, risk management, protocols concerning the exercise of relevant delegated powers, appointment to outside bodies and any action referred to it and taken on behalf of the Council as a matter of urgency.

As its first Chair it is my hope that the committee will be successful in its deliberations with officers and external agencies with the view to gaining the appropriate influence, impact and respect within the Council as well as with the general Croydon public. I believe this objective will be achieved if the committee is equipped to deliberate with independence and objectivity to follow through on issues and recommendations in the overall absence of partisan political points of view.

It gives me pleasure to also announce in this report that in accordance with the administration's policy to make the Council transparent, open and accountable, and for the first time all parts of our meetings have been deliberated upon in Part A of the agenda. This means that all information before the committee has been accessible to the public. I consider that in order to increase public confidence in the audit system and to ensure that public concerns are properly acknowledged the committee needs to ensure that all members of the public do have the opportunity to refer matters that concern them to the appointed auditor and that this opportunity is publicised by the Council so that members of the public are aware that this facility exists. To that end I am arranging for this information to be available on the Council web site.

This report offers me an opportunity to report to the Council and to show my appreciation to all committee members including reserve members, officers, external agency representatives and some members of the public who have contributed and helped me to make our meetings meaningful and purposeful. I am hopeful that in its second year of operation the Committee will aim to encourage all committee members to be even more fully prepared for meetings with sharper questioning for the committee to achieve rigor and greater efficiency. Lastly I am particularly grateful for the support and advice of Councillor Humayun Kabir who is an excellent Vice Chair.

Councillor Matthew Kyeremeh
General Purposes & Audit Committee Chair



Councillor Humayun Kabir
Vice-Chair

Introduction

1. The General Purposes & Audit Committee (the Committee) was implemented with a wide ranging brief that underpins the Council's governance processes. It provides independent challenge and assurance of the adequacy of risk management, internal control including audit, anti-fraud and the financial reporting frameworks. The Committee was implemented to deal with a number of matters not reserved to the Council or delegated to another Committee and related to a non-executive function. The Committee was introduced at the beginning of the current municipal year to replace the former Corporate Services Committee and the Audit Advisory Committee in a more efficient manner with a specific remit of providing increased openness and transparency for Members and our communities. This has been achieved and our work in this area will continue.
2. This report details the work of the Committee during 2014/15, outlining the progress in:
 - Internal Control;
 - Risk management;
 - Internal Audit;
 - Anti-fraud;
 - External Audit;
 - Financial reporting
3. Table 1 details the Committee Members during 2014/15. Members have a wide range of skills and bring both technical and professional experience to the role. All the Members have some experience and benefit from training that the Council provides them with 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 2014/15

Member	Role
Councillor Matthew Kyeremeh	Chairman
Councillor Humayun Kabir	Vice Chairman
Councillor Emily Benn	Member
Councillor Carole Bonner	Member
Councillor Jan Buttinger	Member
Councillor Dudley Mead	Member
Councillor Jason Cummings	Member
Councillor Yvette Hopley	Member

Councillor Mike Selva	Member
Councillor John Wentworth	Member
Councillor Tim Pollard (Part Year)	Member
Councillor Steve O'Connell (Part Year)	Member
Mr Robert Sleeman (Part Year)	Non-Elected, non-voting Independent Member
Mr Pawel Krzemienski (Part Year)	Non-Elected, non-voting Independent Member
Mrs Sabia Noor (Part Year)	Non-Elected, non-voting Independent Member
Mr Nero Ughwujabo (Part Year)	Non-Elected, non-voting Independent Member
Reserve Members: Councillors: Jamie Audsley, Simon Brew, Luke Clancy, Simon Hall, Stephen Mann, Andrew Pelling, Badsha Quadir and Sue Winborn	

4. Independent non-voting Members play an important part in the deliberations of the committee and bring useful additional skills and external perspective. Following the local elections in May 2014, the elected Membership of the committee significantly changed and the non-elected membership refreshed. Interim arrangements were put in place for the latter part of the current year and a full recruitment process was undertaken to fill the committee's two non-elected independent non-voting roles for the new municipal year. 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. To further support the committee members, officers provide regular briefings on the function, responsibilities and role of the audit committee process. During 2014/15 this has included briefings by Grant Thornton (the Council's External Auditors), Capita and by the Corporate Anti-Fraud Team, as well as an induction session on the role of the committee at the start of the year. These trainings have been made available to all Council Members and the hope is that in future more members will take advantage of this offer as part of their individual training portfolio. In addition there are on-going briefings in relation to the risk management framework that underpins the assurance framework.
6. This report details the key successes and work of the Committee in 2014/15. The Committee has overseen the continued transformation and improved performance in all areas of its responsibilities and has actively contributed to leading and shaping those changes. Key achievements include:

- Agreed and documented arrangements for the recruitment of independent non-voting members of this committee and for the Pensions Committee;
- Reporting and discussion of the Council's Risk register in Part A of the Committee's agenda in accordance with the Council's transparency and open governance;
- Review of exceptions to tender when these have been considered to be in the best interest of the Council;
- Continued high levels in internal audit recommendation implementation across the Council;
- Further strengthening the Council's Anti-fraud culture with continued strong performance of the Corporate Anti-fraud team;
- The successful evolution of the Corporate Anti-Fraud team following the national changes to the investigation of housing benefit fraud;
- Continued high performance in the data matching investigations for the National Fraud Initiative;
- Further development of a London-wide audit and anti-fraud public/private partnership led and hosted by Croydon Council. This now has 30 councils as members and more looking to join.

Internal Control

7. 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 2011 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:

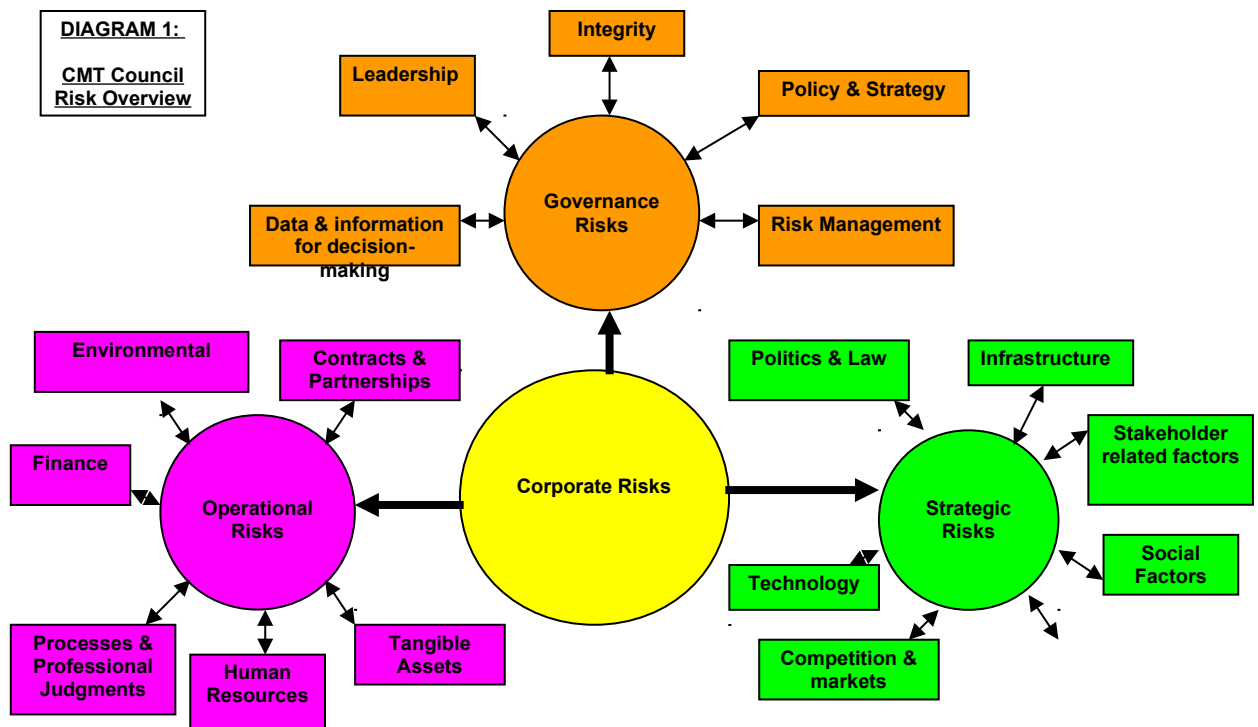
- Risk management;
- Internal Audit;
- Anti-Fraud programme;
- External Audit.

8. The Committee leads this review by receiving and discussing, at every meeting reports on these services areas including service performance information.

Risk Management

9. The Council has an excellently performing, award winning risk management framework. This includes a monthly reporting process for the Corporate Leadership Team (CLT), 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.

DIAGRAM 1:
CMT Council
Risk Overview



(Appendix 2 Definitions)

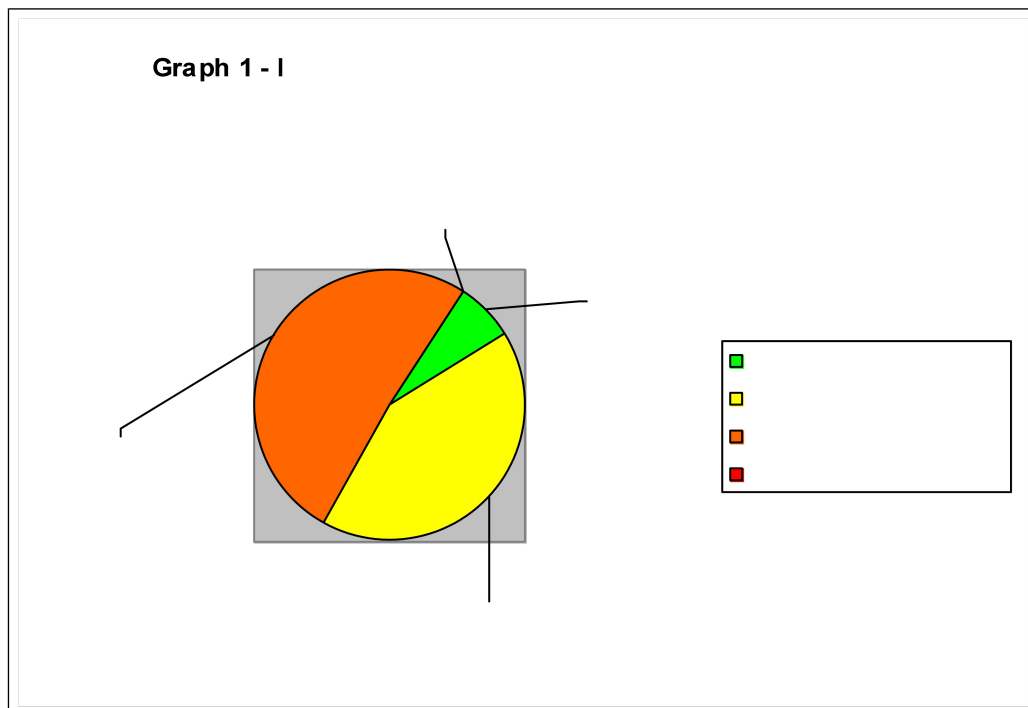
10. The reporting process to CLT is complimented by the Committee reviewing the Council's key risks. At all Committee meetings Members review the current risks being reported to CLT. There is in-depth review and challenge in relation to the risks presented and crucially the risk management framework 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 includes individual training for the Chair and Vice-Chair of the General Purposes & Audit Committee on the risk management framework as well as learning events for all Members. Engaging Members in the risk management process and focusing that on individual needs and requirements ensures Members are fully involved in the challenges facing services in meeting the strategic and operational objectives set.
13. 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 risk registers

are captured on the council-wide register and facilitate training and support for all project officers in risk management methodologies in relation to projects and programmes.

14. 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

15. The Council's internal audit service is outsourced to Mazars Public Sector Internal Audit Limited and the current contract began on 1st April 2008 and will end on 31st March 2018.
16. 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.
17. Graph 1 shows that at the time of writing 49% of the finalised audits have full or satisfactory assurance, which is similar to the same period last year. Council wide, although the overall performance in audits has remained consistent against the same point in the previous year, there has been a reduction amongst the audits conducted in schools. School audits had a satisfactory level of assurance for only 14% of finalised audits, down from 40% the previous year. It should be born in mind, however, that for the third year running schools are selected for audit based on a risk assessment to make the most focused use of limited audit resources. For the rest of the Council, excluding schools, 77% of finalised audits had a full or satisfactory level of assurance.



18. 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 couple of years around 800 managers have attended these workshops. Immediate feedback shows that these have been very well received.
19. 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 General Purposes & Audit Committee took action to increase the target for priority 1 recommendations from 85% to 90% at its first meeting this year. The stringent approach to the follow up process has continued with tight timescales for follow up work linked to the level of assurance.
20. Table 2 details the performance in this area in all follow up work completed since 1st April 2009. Indications are that the targets for recommendations for 2014/15 will also be achieved when the follow up programme is completed over the coming year.

Table 2: Implementation of Audit Recommendations to date

	Target	2010/11	2011/12	2012/13	2013/14
Implementation of priority one recommendations at follow-up	90%	100%	100%	97%	89%
Implementation of all recommendations at follow-up	80%	88%	93%	91%	86%

21. In 2013/14, Internal Audit completed 100% of field work for the plan in-year for the eighth successive year and aims to do the same from 2014/15. The main performance indicators are detailed in Table 3.

Table 3: Internal Audit Performance 2014/15 year to 31 March 15

Performance Objective	Annual Target	Actual	RAG
% of planned 2014/15 audit days delivered	100%	100%	G
% of 2014/15 planned draft reports issued	100%	100%	G
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	90%	G
% of qualified staff engaged on audit	40%	40%	G

Anti-Fraud

22. The Council has been implementing an action plan to improve counter fraud awareness across the Council and to strengthen working with our partners. This has included:

- Counter Fraud quarterly 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 by the Audit Commission as an example of good practice; and
- Implementing a learning and development programme including a counter-fraud awareness module within the Council's management development programme.

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.

Audit Commission's National Fraud Initiative (NFI)

24. The NFI is a biennial data matching exercise undertaken by the Audit Commission. This is a national exercise and every Council in England and Wales participates, along with many other public sector bodies. The Audit Commission has legal powers to undertake data-matching across the public sector to prevent fraud and corruption. The Council's participation in the most recent round identified £432k, for which recovery action will be taken where possible. All money recovered will be returned to the public purse.

Corporate Anti-Fraud Team (CAFT) performance

25. By the end of March 2015, the team had identified in total £2.069M with 103 successful outcomes including the recovery of 19 council properties and 8 fraudulent Right to Buy applications 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 2014/15 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 and, coverage in the popular BBC 'Saints and Scroungers' and 'Britain on the Fiddle' television programmes which have featured some of the team's biggest cases. Filming has just finished on another 'Britain on the Fiddle' programme that will be broadcast later in the year.
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 CIPFA's Better Governance Forum, The National Anti-Fraud Network, London Audit Group, Croydon Fraud & Enforcement Forum and the London Audit & Anti-Fraud Partnership which is organised and hosted by Croydon Council.

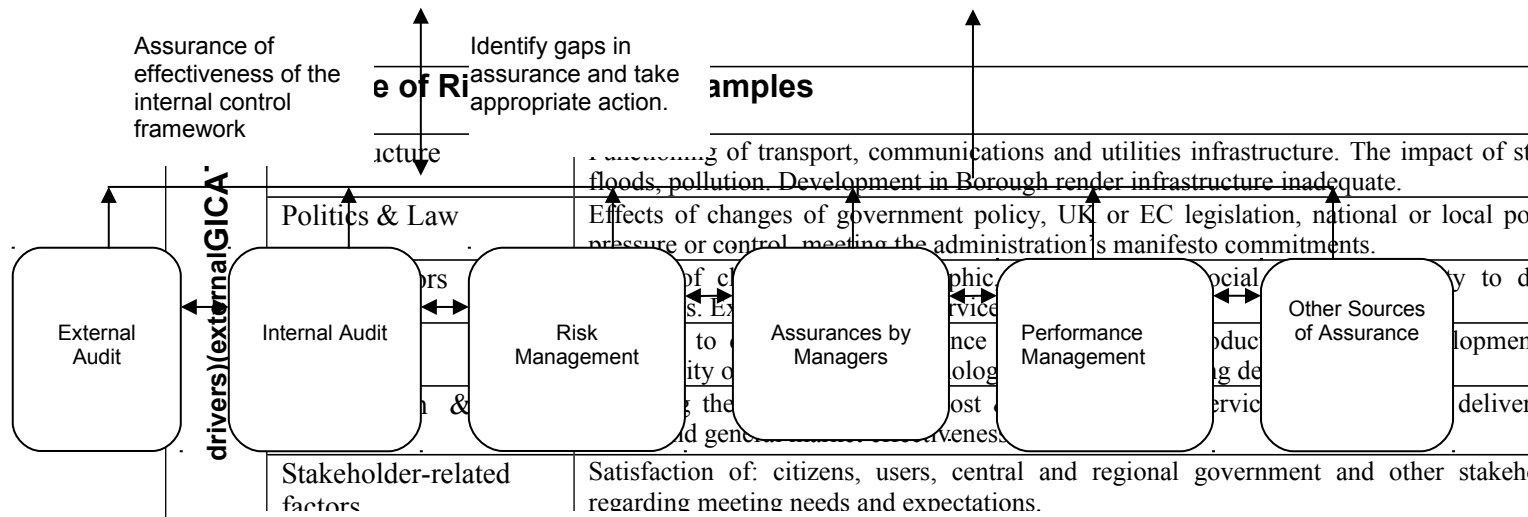
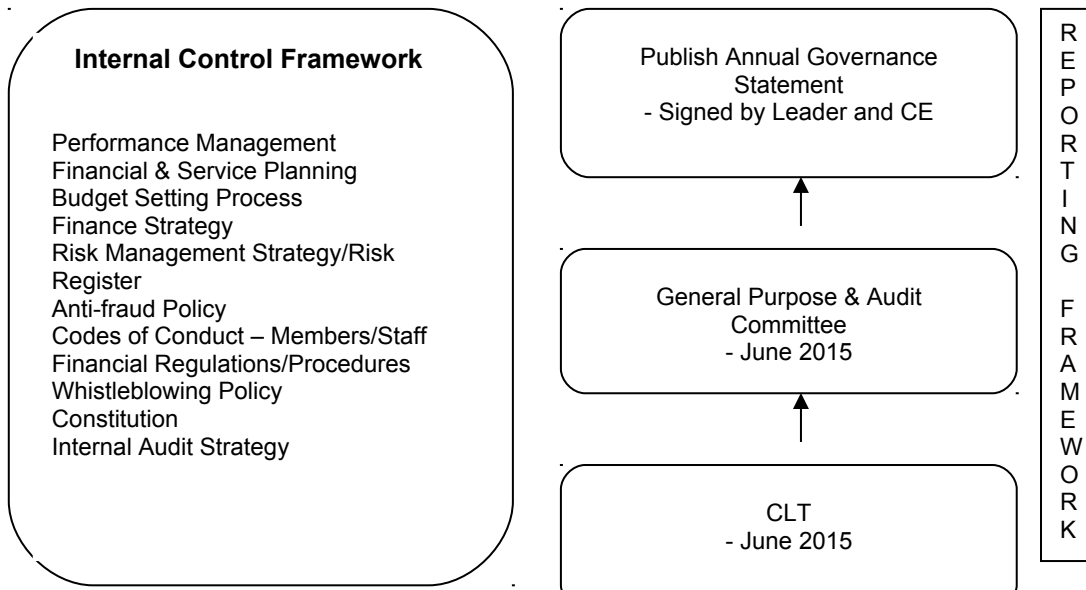
External Audit

28. The Council's external audit service is currently provided by Grant Thornton under a contract originally let by the Audit Commission that will run through to 2017. They work in partnership with the Council ensuring its governance processes are effective. They have been invited and attended all parts of the Committee meetings. At every meeting they prepare an external audit progress update for the Committee to review.
29. Members of the public do have the opportunity to refer matters that concern them to the appointed external auditor. Where a member of the public refers a specific issue to the external auditor, the auditor considers the information and decides whether any action needs to be taken. Often this involves raising the issue with council, establishing the basis behind the issue and understanding how material the issue is in the context of the wider public purse.
30. Sometimes the elector raises an issue that the appointed auditor has already reviewed as part of the audit. On other occasions, the issue raised has not already been specifically considered, but the auditor takes it into account as part of a wider 'basket' of information that informs the audit. In responding specifically to electors who have contacted the auditor, the auditor replies to the local elector in a private capacity. Whilst this isn't a 'public report' it will often set out the auditor's consideration of the matter in some detail.

Financial Reporting

31. In June 2014, 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 at the June 2015 meeting.

Council Framework for the Annual Governance Statement



COUNCIL ASSURANCE FRAMEWORK

- Annual plan
 - Reports to those charged with governance
 - Scrutiny of reports at General Purposes & Audit Committee
 - Audit opinion
 - Ad hoc projects
- 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
- 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
- Directors assurance statements
 - Project specific reports to CLT and Members
- Embedded system Operates throughout organisation
 - Internal & external reviews Action orientated
 - National/local KPI's
 - Periodic progress reports
 - Performance Management function
 - Scrutiny Function
- Fraud reports and investigations
 - Reports by inspectors
 - Post implementation reviews of projects
 - Working party reports
 - Ombudsman reports
 - Contracts & Commissioning Board
 - Strategic Finance Forum
 - Corporate Programme Board
 - Fraud & Enforcement Forum

Categories of Risk

(internal drivers) OPERATIONAL	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.

