

# **General Purposes & Audit Committee**

## **Annual Report 2015/16**

## **Forward**

I am delighted to present this year's annual report of the work of the General Purposes and Audit Committee for 2015-16. The report highlights the important work of the committee over the last year across the breadth of its remit including internal and external audit, risk management, internal control, tackling fraud and financial reporting.

The committee is pleased to have seen a significant improvement in the council's internal audit performance overall compared to last year, informed by a considerable improvement in the performance by maintained schools - which was an area of concern last year.

The committee has also sought to explore areas of concern in more depth. In December the committee heard from the Executive Director for the People Department on the department's budgetary pressures following dramatic reductions in central government funding combined with overwhelming demand within the largest population of any borough in London. In March the committee heard from the Director for Strategy, Communities and Commissioning to understand how the council is improving its strategic contract management.

I am also encouraged that the committee has been able to build on its record on transparency both by conducting all its business in public session and overseeing the publication of council internal audit reports online.

I would also like to take this opportunity to recognise the hard work of council officers and the contribution made by committee members and in particular, Sabia Noor and Nero Ughwujabo, the committee's independent members who have given their expertise in their own time to contribute to the committee's work.

### **Councillor Pat Ryan General Purposes & Audit Committee Chair**



**Councillor Hamida Ali  
Vice-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 2015/16, outlining the progress in:
  - o Internal Control;
  - o Risk management;
  - o Internal Audit;
  - o Anti-fraud;
  - o External Audit;
  - o Financial reporting
3. Table 1 details the Committee Members during 2015/16. 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 2015/16**

<b>Member</b>	<b>Role</b>
Councillor Pat Ryan	Chair
Councillor Hamida Ali	Vice-Chair
Councillor Emily Benn	Member
Councillor Jan Buttinger	Member
Councillor Jason Cummings	Member
Councillor Mike Fisher	Member
Councillor Yvette Hopley	Member
Councillor Humayun Kabir	Member
Councillor Mike Selva	Member
Councillor John Wentworth	Member
Mrs Sabia Noor (Part Year)	Non-Elected, non-voting Independent Member

Mr Nero Ughwujabo	Non-Elected, non-voting Independent Member
<b>Reserve Members:</b> Councillors: Simon Brew, Sherwan Chowdhury, Luke Clancy, Maddie Henson, Karen Jewitt, Bernadette Khan, Joy Prince, Badsha Quadir, Wayne Trakas-Lawlor 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. 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. A vacancy has arisen for an independent non-voting member and a recruitment process has been undertaken to select one. Following this a nominee has been identified. Once approved, the post will be taken up at the June meeting of the Committee.
6. This report details the key successes and work of the Committee in 2015/16. 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:
  - A significant improvement in the results from internal audits carried out in the Borough's maintained schools;
  - 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 continued 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 32 councils as members and more looking to join.

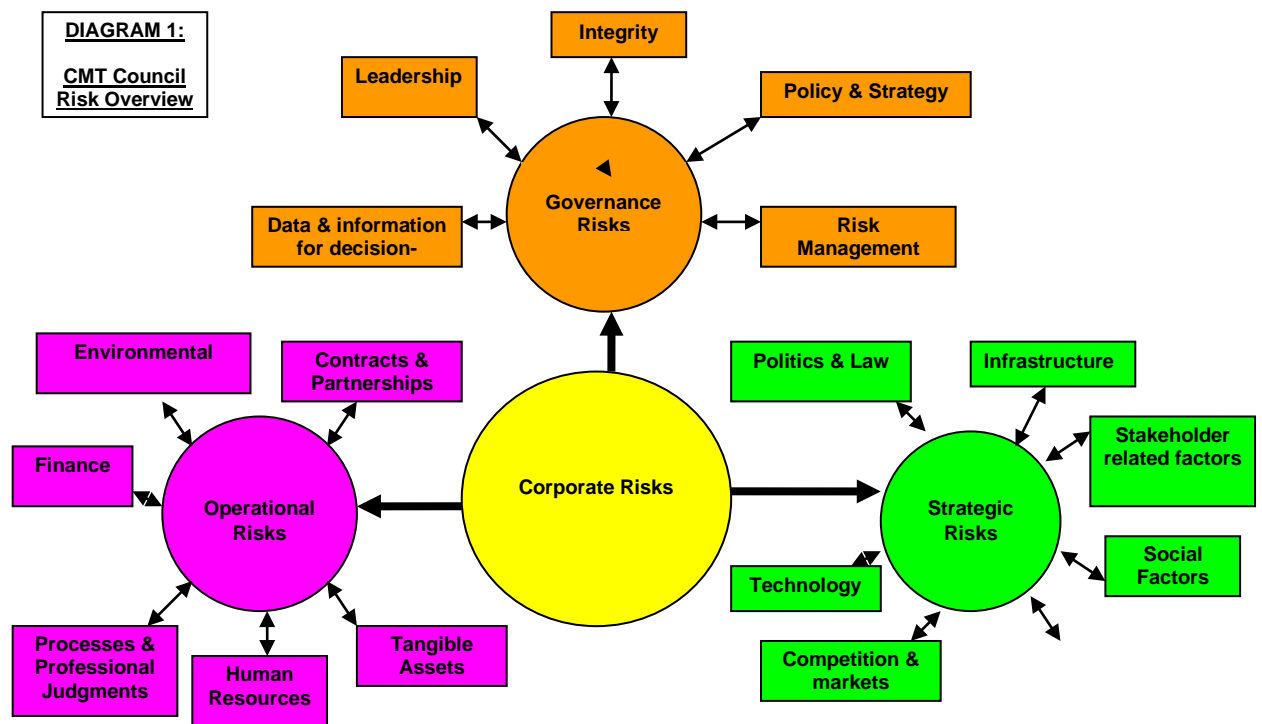
### **Internal Control**

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 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.
- The Committee leads this review by receiving, at every meeting reports on these services areas.
  - 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

- 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.



(Appendix 2 Definitions)

- 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

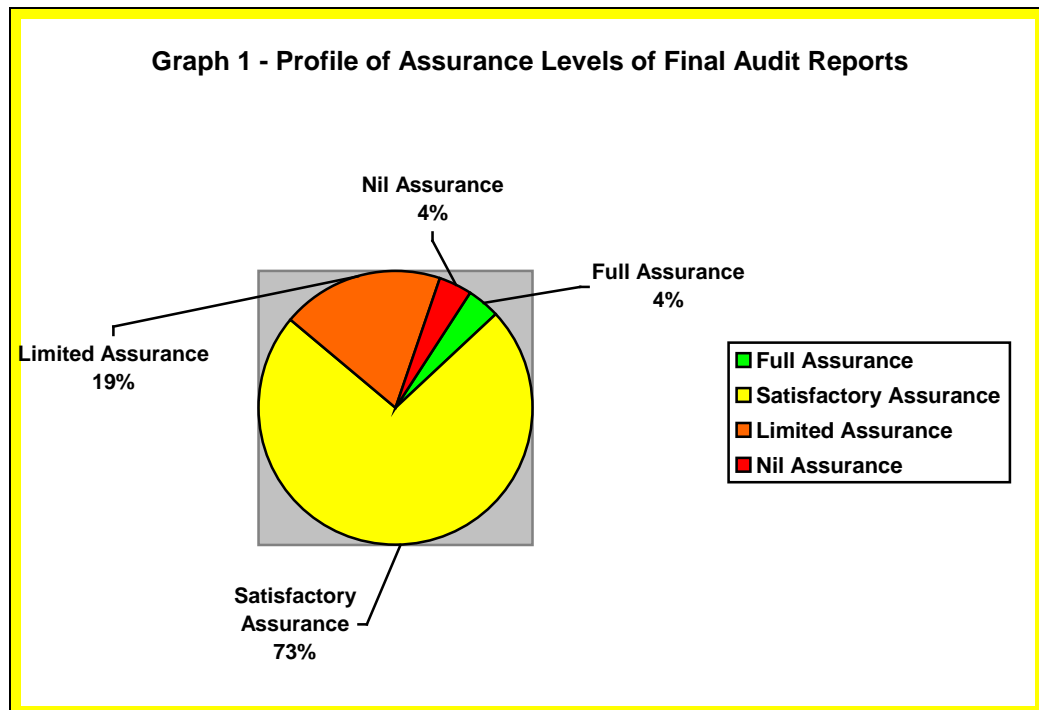
review the current risks being reported to DLTs. There is in-depth review and challenge in relation to the risks presented and crucially the risk management framework underpinning it.

12. 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.
13. The Council includes individual training for the 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.
14. 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.
15. 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**

16. The Council's internal audit service is outsourced to Mazars Public Sector Internal Audit Limited and the current contract began on 1<sup>st</sup> April 2008 and will end on 31<sup>st</sup> March 2018.
17. 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.
18. Graph 1 shows that at the time of writing 77% of the audits have full or satisfactory assurance compared to 45% for the same period last year.

Council wide, the performance in audits has significantly improved against the previous year. School audits had a satisfactory level of assurance for 86% of finalised audits. Schools are selected for audit based on a risk assessment to make the most focused use of limited audit resources.



19. 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 900 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.
20. 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.
21. Table 2 details the performance in this area in all follow up work completed since 1<sup>st</sup> April 2010. 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	2014/15
Implementation of priority one recommendations at follow-up	90%	100%	100%	100%	100%	67%
Implementation of all recommendations at follow-up	80%	88%	93%	93%	89%	78%

22. In 2014/15, Internal Audit completed 100% of field work for the plan in-year for the ninth successive year and will do the same for 2015/16. The main performance indicators are detailed in Table 3.

**Table 3: Internal Audit Performance 2015/16 year**

Performance Objective	Annual Target	Actual performance	RAG
% of planned 2015/16 audit days delivered	100%	<b>100%</b>	<b>G</b>
% of 2015/16 planned draft reports issued	100%	<b>100%</b>	<b>G</b>
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	<b>95%</b>	<b>G</b>
% of qualified staff engaged on audit	40%	<b>42%</b>	<b>G</b>

### Anti-Fraud

23. 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.
24. 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)*

25. The NFI is a biennial data matching exercise undertaken by the Cabinet Office (previously 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 exercise 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 has so far identified £10k, for which recovery action will be taken where possible.

#### *Corporate Anti-Fraud Team performance*

26. By the end of February 2016, the team had identified in total £1.360M with 113 successful outcomes including the recovery of 15 council properties and 4 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.
27. CAFT in 2015/16 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.
28. 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.

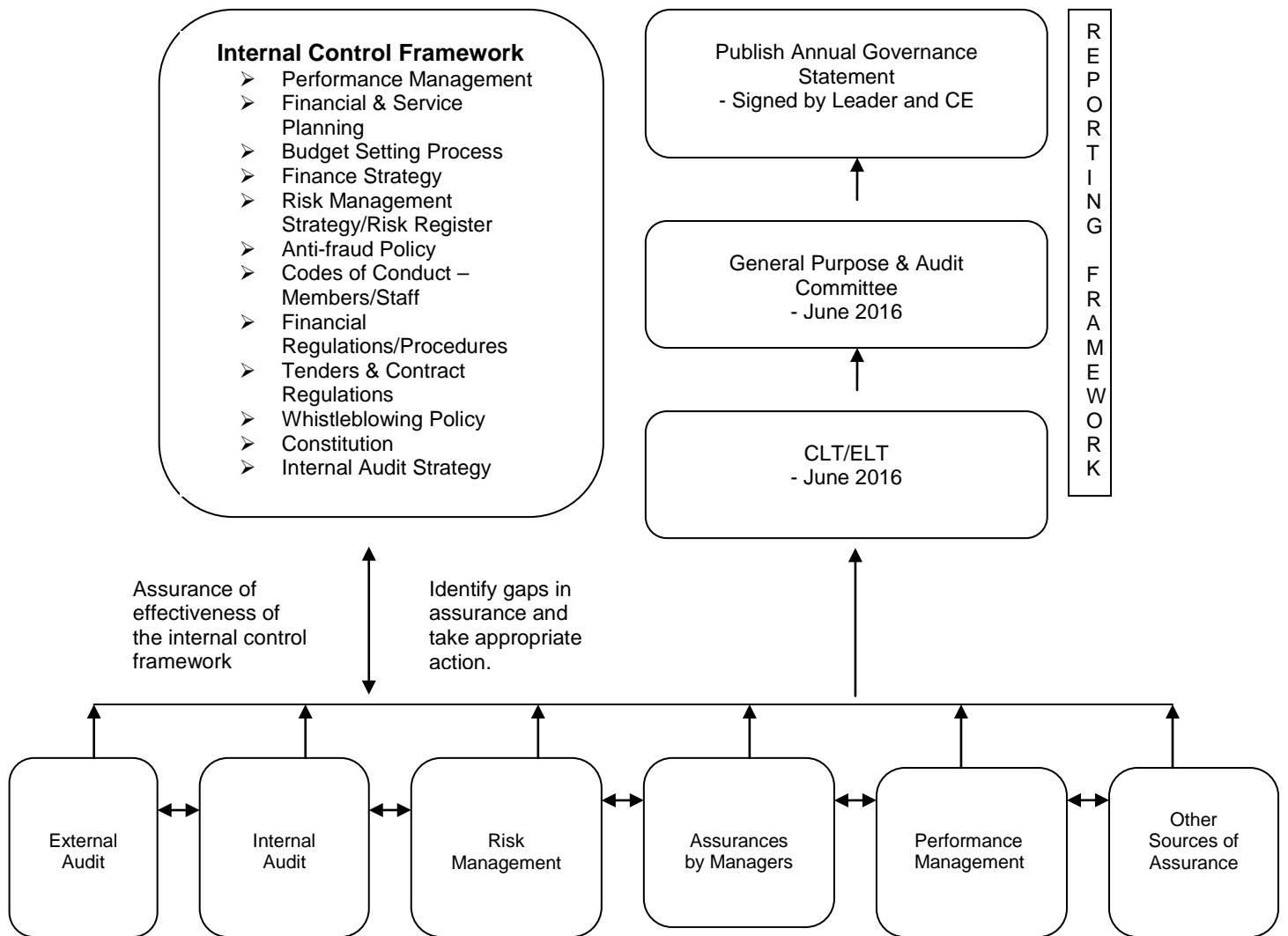
#### **External Audit**

29. The Council's external audit service is currently provided by Grant Thornton under a contract originally let by the Audit Commission. 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.

#### **Financial Reporting**

30. In June 2015, 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.

**Council Framework for the Annual Governance Statement**



**COUNCIL ASSURANCE FRAMEWORK**

- |   |  |   |   |  |  |
|---|--|---|---|--|--|
| <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>➤ National/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 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.)

<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.

