

**Members are asked to comment on the contents of
this draft Annual Report.**

**The Chair, with the Assistant Chief Executive (Corporate &
Resources and s151 Officer) will draft a forward to the report.**

General Purposes & Audit Committee

***[Draft]* Annual
Report
2014/15**

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 newly formed at the beginning of the current municipal year and replaces the former Corporate Services Committee and the Audit Advisory Committee.
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 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 (Part Year)	Member
Councillor Yvette Hopley (Part Year)	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 it was decided to refresh the non-elected membership as well. Interim arrangements were put in place for the latter part of the current year and a full recruitment process is being 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, 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. This is further supplemented by 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:
 - 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

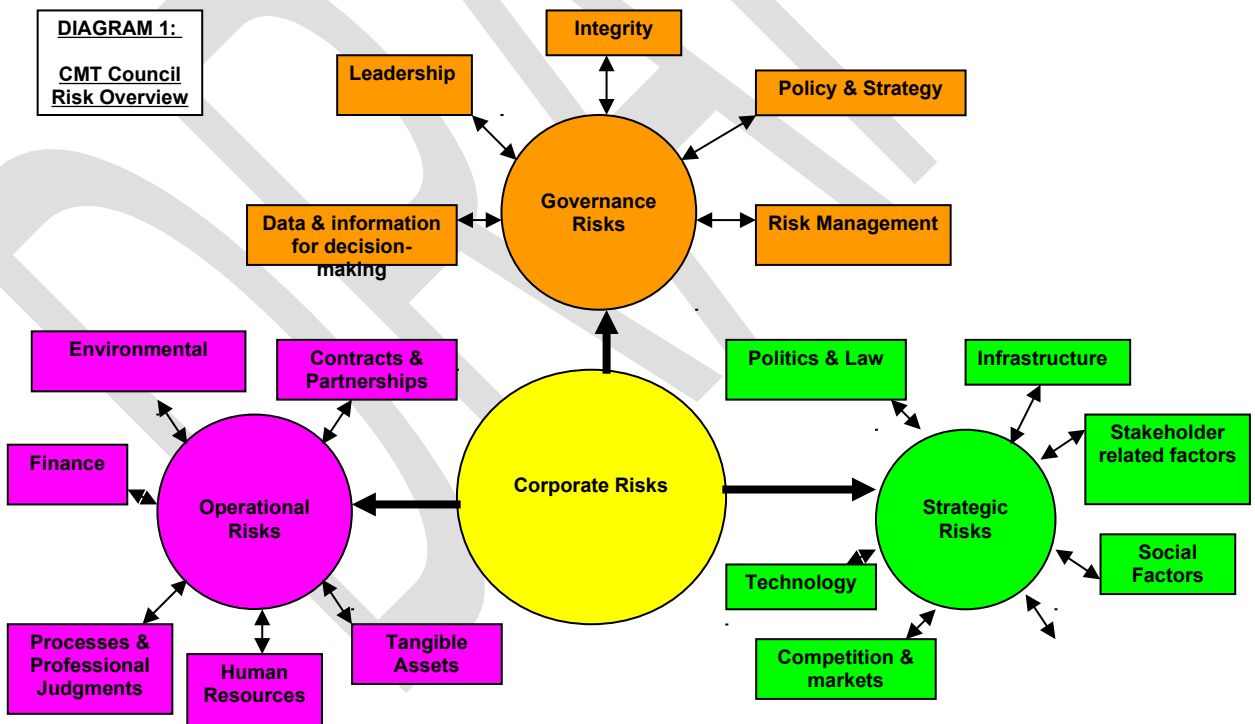
internal control and publish the AGS each year alongside the financial statements. The information for the AGS is generated through the Council's Assurance framework (Appendix 1) including:

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

8. The Committee leads this review by receiving, 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.



(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

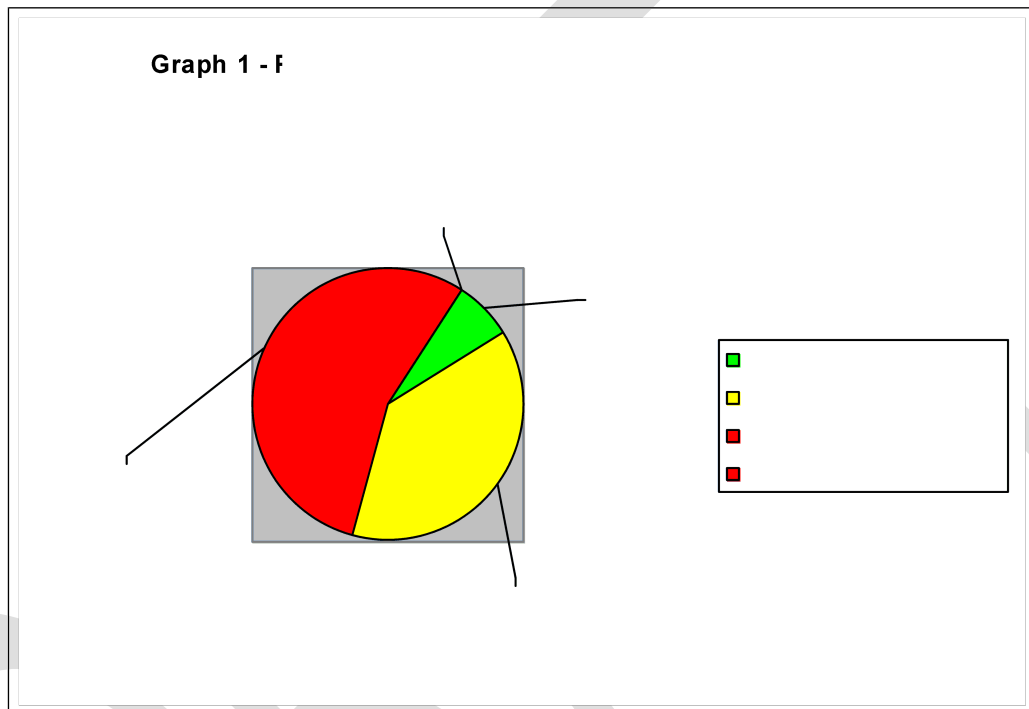
review the current risks being reported to CLT. There is in-depth review and challenge in relation to the risks presented and crucially the risk management framework underpinning it.

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 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 45% of the audits have full or satisfactory assurance compared to 49% for the same period last year.

Council wide, the performance in audits has declined against the previous year with the main area of reduction being 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, 73% 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% 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%	88%
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 January 15

Performance Objective	Annual Target	10 month performance	RAG
% of planned 2014/15 audit days delivered	100%	79%	G
% of 2014/15 planned draft reports issued	100%	62%	G
Number of 2014/15 planned draft reports issued	94	58	G
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	90%	G
% of qualified staff engaged on audit	40%	35%	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.

Corporate Anti-Fraud Team performance

25. By the end of January 2015, the team had identified in total £1.932M with 98 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 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.

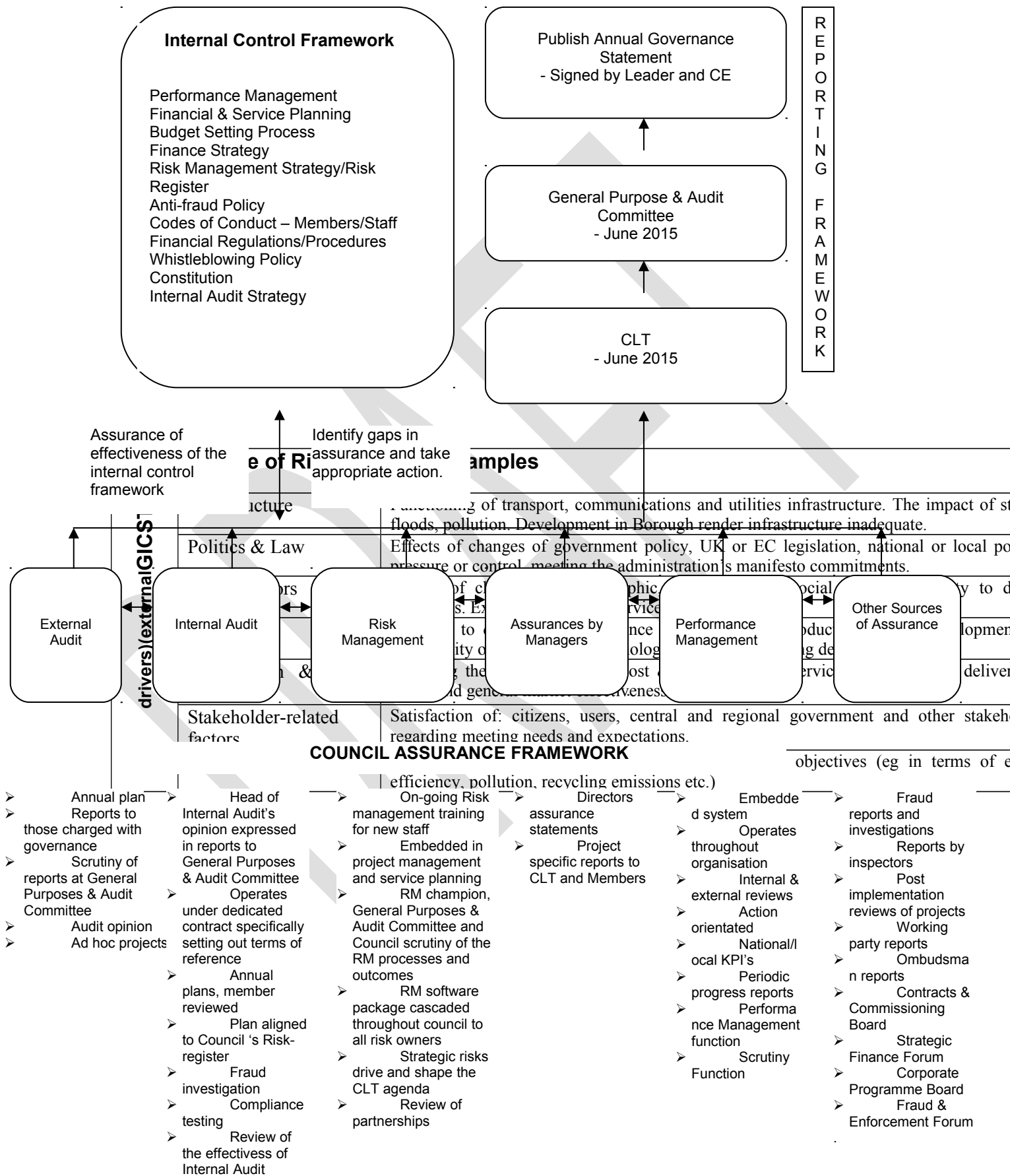
Financial Reporting

29. 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.

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Council Framework for the Annual Governance Statement



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.

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