

General Purposes & Audit Committee Agenda



To: Councillor Karen Jewitt (Chair)
Councillor Joy Prince (Vice-Chair)
Councillors Pat Clouder, Bernadette Khan, Mary Croos, Stephen Mann,
Jan Buttinger, Oni Oviri, Stuart Millson and Steve Hollands

Co Optees: Muffaddal Kapasi and Nousheen Hassan

Reserve Members: Clive Fraser, David Wood, Jamie Audsley,
Sherwan Chowdhury, Patsy Cummings, Toni Letts, Jason Cummings,
Badsha Quadir, Ian Parker and Simon Brew

A meeting of the **General Purposes & Audit Committee** which you are hereby summoned to attend, will be held on **Thursday, 11 July 2019** at **6.30 pm** in **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX**

JACQUELINE HARRIS-BAKER
Council Solicitor and Monitoring Officer
London Borough of Croydon
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www.croydon.gov.uk/meetings
Wednesday, 3 July 2019

Members of the public are welcome to attend this meeting.
If you require any assistance, please contact the person detailed above, on the righthand side.

N.B This meeting will be paperless. The agenda can be accessed online at www.croydon.gov.uk/meetings

AGENDA – PART A

1. Apologies for Absence

To receive any apologies for absence from any members of the Committee.

2. Minutes of the Previous Meeting (Pages 5 - 12)

To approve the minutes of the meeting held on Thursday 4th April 2019 and Monday 20th May 2019 as an accurate record.

3. Disclosure of Interests

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

4. Urgent Business (if any)

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

5. Head of Internal Audit Annual Report (Pages 13 - 46)

This report details the work completed by Internal Audit in 2018/19 and the overall levels of assurance for the Council's internal control environment to support the Annual Governance Statement.

6. Internal Audit Review of Effectiveness (Pages 47 - 54)

This report details the Director of Finance, Investment & Risk (Section 151 Officer)'s review of the effectiveness of the Council's internal audit.

7. Anti-Fraud Update Report (Pages 55 - 60)

This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2018 – 31 March 2019.

8. Corporate Risk Register (Pages 61 - 82)

The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at 11 July 2019.

9. Scheme of Members Allowance (Pages 83 - 88)

To consider an annual increase of the Council's Scheme of Allowances for its elected Members.

10. Exclusion of Public and Press

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

PART B

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General Purposes & Audit Committee

Meeting held on Thursday, 4 April 2019 at 6.30 pm in Council Chamber, Town Hall,
Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Stephen Mann (Chair);
Councillor Joy Prince (Vice-Chair);
Councillors Clive Fraser, Patsy Cummings, Pat Clouder, Mary Croos,
Jan Buttinger, Ian Parker, Steve Hollands and Simon Brew (In place of Oni
Oviri)

Co Optees Muffaddal Kapasi and Nousheen Hassan

Also

Present: Cllr Simon Hall, Cabinet Member for Finance and Resources
Malcolm Davies, Head of Risk
Matthew Dean, Grant Thornton
David Hogan, Head of Anti-Fraud
Sarah Ironmonger, Grant Thornton
Simon Maddocks, Head of Internal Audit
David Philips, Mazars
Lisa Taylor, Director of Finance, Investment and Risk

Apologies: Councillor Oni Oviri

Before commencing the meeting, the Chair informed the Members of the Committee that due to ongoing legal matters, Item 5 had been withdrawn from the agenda and would be considered at the next available Committee meeting

PART A

1/19 **Minutes of the Previous Meeting**

The minutes of the meeting held on 6 December 2018 were approved as a true and accurate record of the decisions taken subject to the following change being made:

- 33/18, bullet point 2 – the word ‘county’ corrected as ‘country’.

2/19 **Disclosure of Interests**

There were no disclosures made.

3/19 **Urgent Business (if any)**

There were no items of urgent business.

4/19 **Grant Thornton Reports**

The Grant Thornton representative introduced the item and briefed the Committee on the External Audit Plan which included updates on the auditing framework.

There was specific reference to page 11 of the report which referenced a letter sent by Grant Thornton explaining the progress that had been made on the Housing Benefit Subsidy Claim submitted by the Council.

The Committee was informed that the final audit visits would take place in June and July 2019 and the Council's requirements in preparation for this were listed on page 15 of the report. It was reported that any 'clearly trivial' matters regarding uncorrected omissions and misstatements identified during the auditing procedure would be reported to the Committee. Small errors would generally not be a focus. In regards to value for money arrangements, it was stated that there were two significant risks: the Council's financial sustainability and the OFSTED inspection of Children's Services.

The reporting officer also informed the Committee of the non-audit services which would be provided including the Audit Social Care index (the first year would be a free subscription) and general work completed outside of the contract agreements.

In response to questions Members of the Committee heard:

- The Council was working with the auditors in order to downscale but this was a complex process
- Brexit's effect on the risk register will depend on what takes place in the 19/20 financial year. Areas such as Pension Fund Assets were less of a concern
- The areas identified for value for money would be assessed using the Code of Audit Practice and other sources such as regulatory reports and questioning officers
- The key metrics of other local authorities were monitored, although the arrangements for financial sustainability each one had in place was reported as varying greatly
- Developments around Brexit would continue to be monitored

The Committee **RESOLVED** to note the contents of the Grant Thornton Report.

5/19 **Presentation on an area of risk - Schools in Deficit**

This item was not considered.

6/19 **Internal Audit, Charter, Strategy and Plan**

The Head of Internal Audit introduced the item and informed the Committee of the Internal Audit Charter (Appendix 1), Strategy (Appendix 2) and Plan (Appendix 3).

This report was to be brought before the Committee for approval every year. Appendix 1 outlined what an internal audit purpose was and the responsibility of officers. It was noted that the Head of Internal Audit had no additional responsibilities and no conflicts of interest. Appendix 2 outlined the areas of focus for the Internal Audit Strategy and how recommendations were implemented. Appendix 3 showed a table of the proposed Internal Audit Plan for computer, contract and school audits amongst others which were to begin in April 2019.

In response to questions, the Head of Internal Audit said that when determining which schools needed auditing, the Council would check whether a new Head Teacher had recently started, when the last audit check was conducted and the outcome of this.

The Committee **RESOLVED** to approve the Internal Audit Charter (Appendix 1), Strategy (Appendix 2) and the plan of audit work for 2019/20 (Appendix 3).

7/19 **Internal Audit Update Report**

The Head of Internal Audit introduced the item summarised the Internal Audit Report from April 2018 – January 2019.

In response to questions the Committee was informed that there were periods during which the capacity of the Audit Manager varied and the Auditors struggled to obtain information for the internal audit. However those were not issues that had prevented staff from completing the task.

The Committee **RESOLVED** to note the Internal Audit Report for April 2018 to January 2019.

8/19 **Anti-Fraud Update Report**

The Head of Anti-Fraud introduced the item and informed the Committee that the Anti-Fraud Team was on target for 2018/19. The report contained a number

of case studies which demonstrated the work carried out by the Council for partner housing associations.

It was noted that not every local authority supported fraud investigation for housing associations; Croydon Council provided this service due to the importance of reclaiming homes for families to live in. In some instances, Croydon had assisted other boroughs, such as Lambeth and Merton, in their investigations. Furthermore, housing cases varied greatly and therefore so did the outcomes.

It was stated that there were successful outcomes; some fraud allegations were more difficult to investigate than others such as those relating to sub-letting and the use of Blue Badge permits.

In response to questions, the Committee heard that:

- The costs for the FTE's were difficult to quantify as some cases were won much quicker than others.
- Reducing temporary accommodation would help the Anti-Fraud Team make savings and improve quality of life for residents.
- The Anti-Fraud Team were considering using new tools to improve performance such as the Fraud Hub, which utilizes analytics. It was planned to bring a report to the Committee once use of this new system had gone live.
- Staff were trained to tackle fraud using cases to build their experience. They would have the opportunity to develop their skills within banks and post offices.
- An item on London-wide anti-fraud activity and how local authorities work together was expected to be presented to the Committee in approximately six months.

The Committee **RESOLVED** to note the Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2018 – 31 January 2019.

9/19

Corporate Risk Register

The Head of Risk introduced this item and summarised the table of contents found in Appendix 1 of the report.

It was stated that risk had been identified in the special education budget and that the future risk ratings would be effected by Brexit depending on how things developed.

In response to questions, it was clarified that the Corporate Risk Register was reviewed on a quarterly basis. Escalated risks were brought back regularly to evaluate whether the actions taken to reduce risks were successful.

The Director of Finance, Investment and Risk confirmed that the existing controls for tackling risk scenarios were always evolving and that the risk assessment of schools in deficit could be brought back to the Committee.

The Committee **RESOLVED** to note the contents of the corporate risk register as at April 2019.

10/19 **General Purpose and Audit Committee Draft Annual Report 2018-2019**

The Chair introduced the item and informed the Committee of the GPAC Draft Annual Report, which provided details of the Committee's role.

In response to questions, members were informed that this report was drafted in accordance with the Constitution and needed to go to Full Council for consideration.

The Committee **RESOLVED** to approve the General Purposes & Audit Committee Draft Annual Report 2018/19.

11/19 **In-year Appointments**

The Director of Finance, Investment and Risk introduced the item and informed the Committee of the in-year appointments that had been made which included appointments to vacancies and outside bodies.

The Committee **RESOLVED** to note the in-year appointments listed in the report.

12/19 **Exclusion of Public and Press**

This was not required.

The meeting ended at 7.20 pm

Signed:

Date:

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General Purposes & Audit Committee

Meeting of General Purposes & Audit Committee held on Monday, 20 May 2019 at 8.00pm in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Stephen Mann (Chair);
Councillor Joy Prince (Vice-Chair);
Councillors Clive Fraser, Patsy Cummings, Pat Clouder, Mary Croos,
Jan Buttinger and Steve Hollands

Apologies: Councillor Oni Oviri and Ian Parker

PART A

1/19 **Appointment of Chair and Vice-Chair**

The proposal was received for Councillor Jewitt as Chair and Councillor Prince as Vice Chair. The motion was proposed by Councillor Jewitt and seconded by Councillor Prince.

RESOLVED: The Committee resolved to agree the proposal confirming Councillor Jewitt as Chair and Councillor Prince as Vice Chair for the 2019/20 municipal year.

The meeting ended at 8.02 pm

Signed:

Date:

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REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 11 July 2019
SUBJECT:	Head of Internal Audit Annual Report 2018/19
LEAD OFFICER:	Head of Internal Audit
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	ALL
CORPORATE PRIORITY/POLICY	
<p>Internal Audit's work helps the Council to improve its corporate capacity through sound and robust governance structures, financial management and risk management within the organisation. Strengthening corporate capacity is critical in improving the Council's ability to deliver services helping the Council achieve its vision and aims for the community as a whole.</p>	
FINANCIAL SUMMARY:	
<p>The Internal Audit contract for 2018/19 was a fixed price of £377,280 and the appropriate provision was made within the budget for 2018/19. The cost of the service compares well with other boroughs as demonstrated through recent benchmarking studies.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO.:	

1.	RECOMMENDATIONS
1.1	The Committee is asked to note the Head of Internal Audit Report 2018/19 (Appendix 1) and the overall Substantial level of assurance of the Council's systems of internal control.

2. EXECUTIVE SUMMARY

- 2.1 This report details the work completed by Internal Audit in 2018/19 and the overall levels of assurance for the Council's internal control environment to support the Annual Governance Statement (AGS). The AGS will come to the next meeting of this committee and will be published on the Council's website alongside the final accounts.
- 2.2 From the Internal Audit work undertaken in 2018/19, it is the Head of Internal Audit's opinion that Internal Audit can provide **Substantial Assurance** in relation to the system of internal control, and that the internal controls within financial and non-financial systems operating throughout the year were fundamentally sound.

3. DETAIL

- 3.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to prepare an annual written report to members that includes:
- an opinion on the overall effectiveness of the organisation's framework for governance, risk management and control;
 - disclosure of any qualifications on that opinion; and
 - any issues the Head of Internal Audit judges relevant to the preparation of the Annual Governance Statement.
- 3.2 Appendix 1 details the annual report for the period 2018/19. From the work undertaken, the Head of Internal Audit is giving a **Substantial Assurance** in that the Council's framework for governance, risk management and control accords with proper practice except for the control weaknesses identified in the report.
- 3.3 The Substantial level of assurance reflects that **58%** of individual finalised audits received either Full or Substantial assurance levels. This compares with 66% for the previous year. It should be noted, however, that at the time of writing there are still a number reports in draft. There will be an update on these outstanding reports at the October meeting of this committee.
- 3.4 Internal audit has identified issues and risks and service managers have identified actions to mitigate those risks. The Council now needs to ensure that the action is taken to implement audit recommendations particularly in relation to priority one issues.

Implementation of Audit recommendations

- 3.5 The Council has set targets for the implementation of audit recommendations. Implementation is assessed at the time of follow-up audits. The targets are 80% for all priority 2 & 3 recommendations and 90% for priority 1 recommendations. The table below shows achievement against these targets for the follow-up audits carried out to date. Indications are that the targets for

recommendations for 2018/19 will be achieved when the follow up programme is completed over the coming year.

Implementation of agreed recommendations

Performance Objective	Target	Performance 2014/15	Performance 2015/16 (to date*)	Performance 2016/17 (to date*)	Performance 2017-18 (to date*)	Performance 2018-19 (to date*)
Percentage of priority one recommendations implemented at the time of the follow up audit	90%	100%	91%	98%	92%	78%
Percentage of all recommendations implemented at the time of the follow up audit	80%	89%	88%	87%	88%	72%

* audits are still being followed up for 2015/16, 2016/17, 2017/18 and 2018/19 and therefore the percentage is likely to change.

3.6 Internal Audit continues to work with departments to help improve implementation timescales. This includes reports to all Departmental Management Teams highlighting where recommendations are not being implemented and agreeing the way forward.

Significant Control Weaknesses

3.7 Internal Audit is required to form an opinion on the quality of the framework for governance, risk management and control, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2018/19, the following key issues were identified.

- Although there continues to be improvements, during the course of internal audit work during the year, a number of issues were identified with contract monitoring and management.
- Internal audit work during the year identified a number of issues relating to financial management within the adult and children's social care teams.
- An internal audit conducted during the year of energy recharges identified some significant weaknesses resulting in circa £4M of recharges being outstanding, a significant part of which related to organisations outside of the council. This resulted in a 'No Assurance' audit report being issued.
- Following a change in legislation during 2018, internal audit identified a number of instances where privacy notices relating to the collection of personal data were missing or were no longer fit for purpose. Also noted that agreements with 3rd parties did not always address this issue adequately.

3.8 Recommendations have been made to address these weaknesses and internal audit will be involved in further audit work in these areas.

4. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

4.1 The internal audit function at the Council **Generally Conforms** to the Public Sector Internal Audit Standards. Further details are contained in a separate report elsewhere on this agenda.

5. CONSULTATION

5.1 The outcome of all audit work is discussed and agreed with the lead service managers. On a quarterly basis Departmental Leadership Teams consider progress on audit recommendations in liaison with the Governance Team.

6. FINANCIAL AND RISK CONSIDERATIONS

6.1 The fixed price for the Internal Audit Contract was £377,280 for 2018/19 and there was adequate provision within the budget. There are no additional financial considerations relating to this report.

6.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes and ensure the integration with the risk management framework.

(Approved by: Ian Geary, Head of Finance, Resources & Accountancy)

7. LEGAL CONSIDERATIONS

7.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are various obligations upon the Council regarding ensuring that its business is conducted in accordance with the law and proper standards. This includes the duty (under the Local Government Act 1999) to make arrangements to secure continuous improvement, to have an Annual Government Statement (Account and Audit Regulations 2015) and to undertake a review of effectiveness.

7.2 Further the Council's Financial Regulations, as part of the Constitution, require the preparation of an annual Head of Audit Report and an Annual Governance Statement.

7.3 It is noted that the terms of reference of the General Purposes Audit Committee enables it to consider the annual report of the Head of Internal Audit and make recommendations as appropriate to Cabinet and/or Full Council.

(Approved by, Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer)

8. HUMAN RESOURCES IMPACT

8.1 There are no immediate human resource considerations arising from this report for LBC employees or staff.

(Approved by: Gillian Bevan, Head of HR for Resources)

9. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, HUMAN RIGHTS & FREEDOM OF INFORMATION IMPACTS

9.1 When internal Audit is developing the Annual Audit Plan or individual audit programmes the impacts of the issues above are considered depending on the nature of the area of service being reviewed. Issues relating to these impacts would be reflected in the audit reports and recommendations.

CONTACT OFFICER: Simon Maddocks, Head of Internal Audit

APPENDIX: Internal Audit Annual Report for the year ended 31 March 2019

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London Borough of Croydon Internal Audit Annual Report for the year ended 31 March 2019

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 7 of this report for further information about responsibilities, limitations and confidentiality.

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Executive Summary

Introduction

The purpose of this report is to contribute to the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards. The standards advise that the report must:

- a) include an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control;
- b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- e) compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets, and
- f) comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

Head of Internal Audit Opinion on the Effectiveness of Internal Control

This opinion statement is provided for the use of London Borough of Croydon in support of its Annual Governance Statement 2019 that is published with the statement of accounts for the year ended 31 March 2019.

Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. London Borough of Croydon also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, London Borough of Croydon is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Croydon's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Review of Effectiveness

The London Borough of Croydon has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors, who during the year analysed the Council's adherence to CIPFA guidelines regarding the Annual Governance Statement and found no major issues. Effectiveness of the system is also conveyed by executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports.

Head of Internal Audit Annual Opinion Statement

Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2018/19, including our assessment of the London Borough of Croydon corporate governance and risk management processes and information technology governance.

The internal audit plan for 2018/19 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

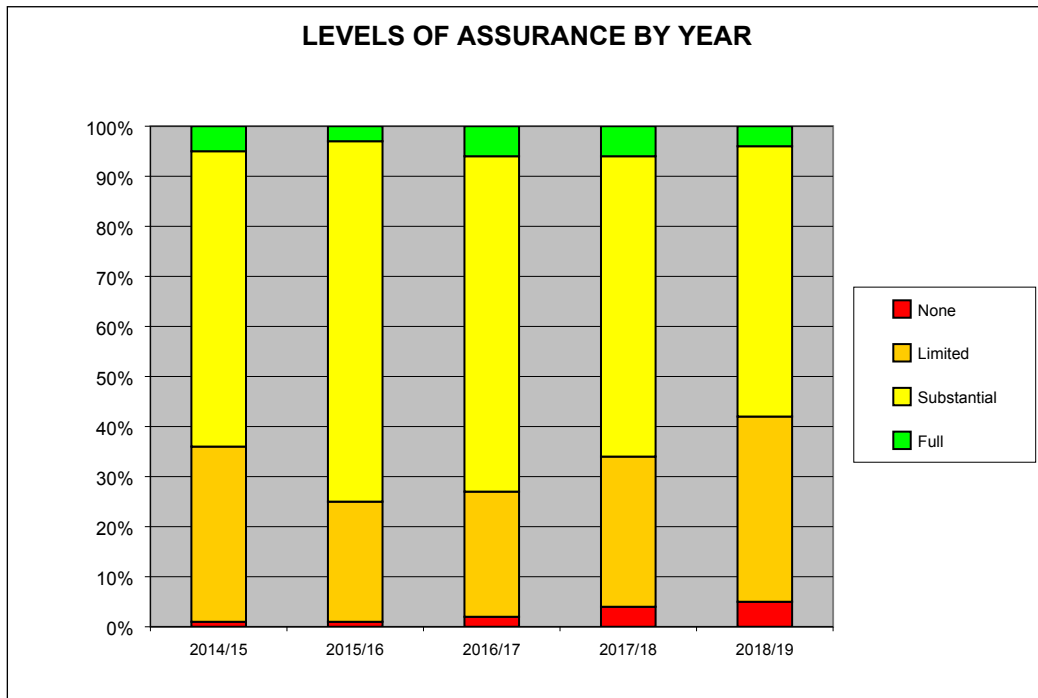
Basis of Assurance

We have conducted our audits both in accordance with the mandatory standards and good practice contained within the Public Sector Internal Audit Standards and additionally from our own internal quality assurance systems.

Our opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the organisations Assurance Framework, that are covered by Internal Audit's programme. Where principal risks are identified within the organisation's framework that do not fall under Internal Audit's coverage or that are not included in Internal Audit's coverage, we are satisfied that an Assurance Framework is in place that provides reasonable assurance that these risks are being managed effectively.

Our work for the year to 31 March 2019 was completed in line with the operational plan.

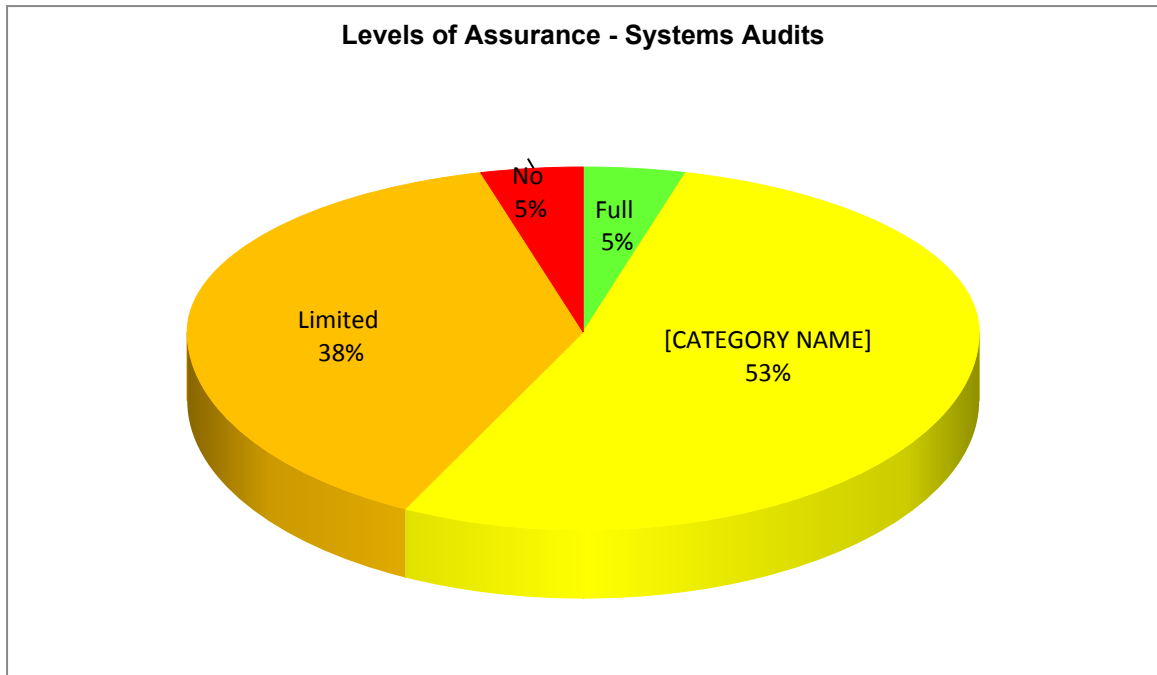
Graph 1 – Assurance Levels



	2014/15	2015/16	2016/17	2017/18	2018/19
Full Assurance	5%	3%	6%	6%	4%
Substantial Assurance	59%	72%	67%	60%	54%
Limited Assurance	35%	24%	25%	30%	37%
No Assurance	1%	1%	2%	4%	5%

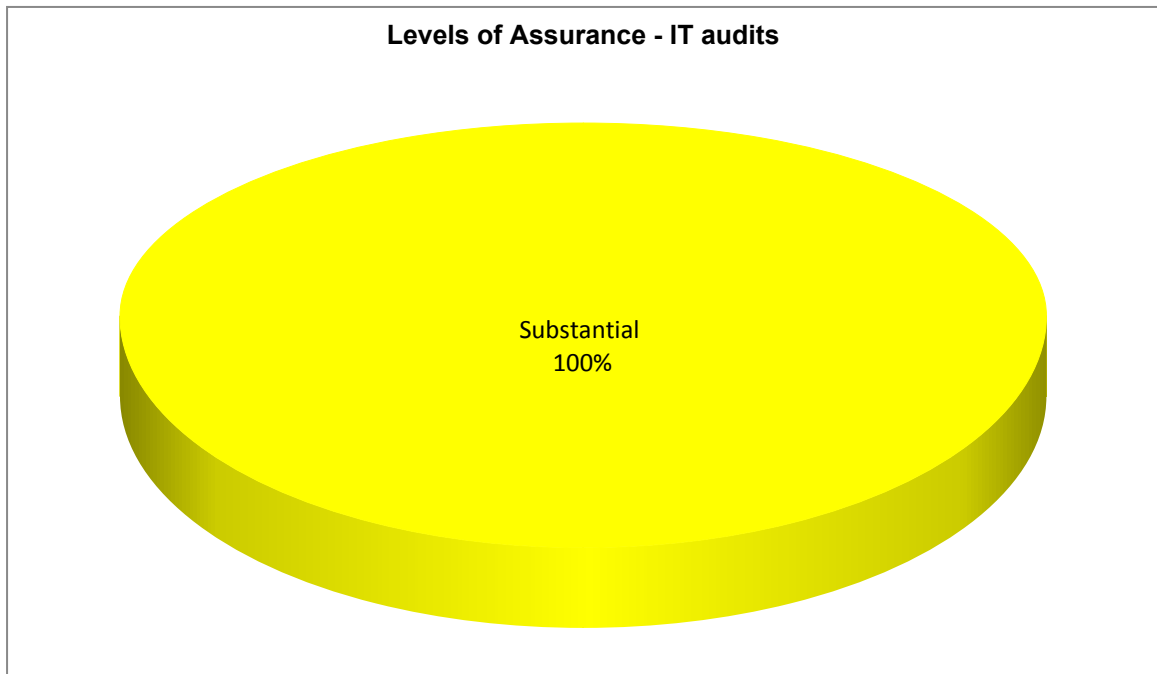
Graph 1 shows the percentage of final audit reports issued per level of assurance over the past five years. As can be seen the number of limited and no assurance reports are 8% more than those issued during 2017/18 and 15% more than 2016/17.

Graph 2 – Levels of Assurance – Systems Audits



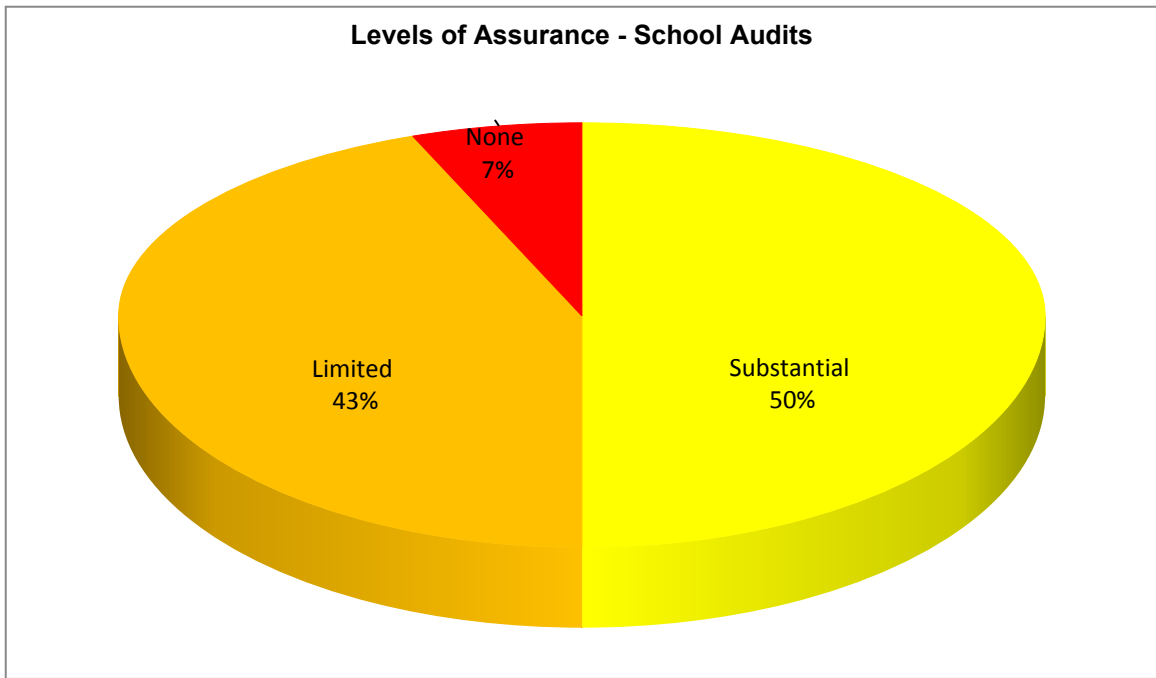
Graph 2 shows the percentage of final reports issued per level of assurance achieved on all the full systems audited. This shows that 58% of the systems audited, including the core Council financial systems, achieved an assurance level of Substantial or Full. This is just below performance in 2017/18 which was 61%.

Graph 3 – Levels of Assurance – IT Audits



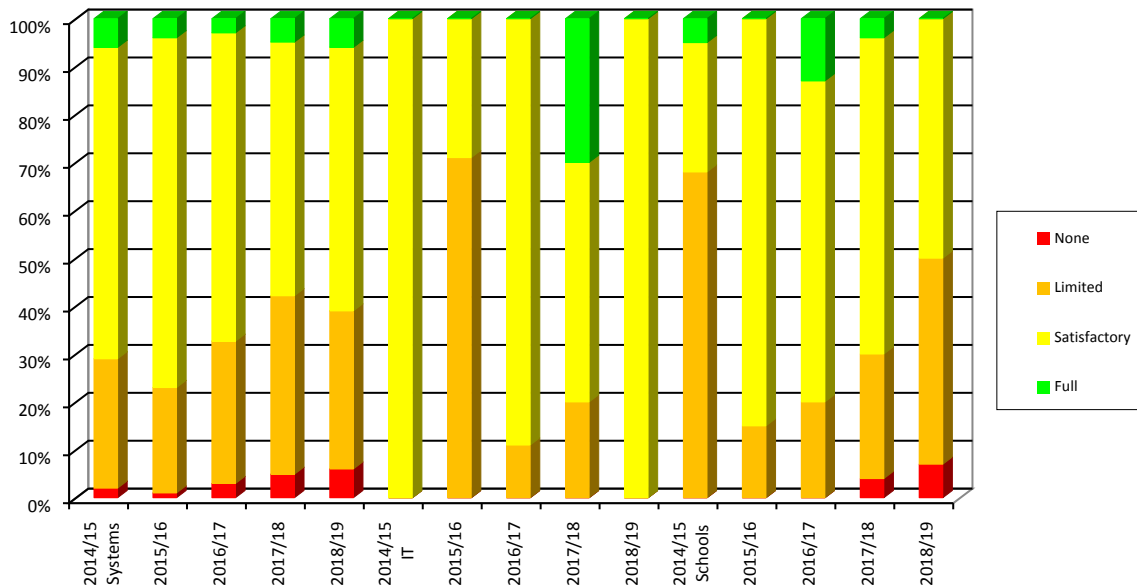
Graph 3 shows the percentage of final audit reports issued per level of assurance for the computer audit programme of work. This shows that 100% (all 3) of the computer audits achieved an assurance level of Full or Substantial. This is an improvement on the performance of 2018/19 which was 80% (8 out of 10 audits).

Graph 4 – Levels of Assurance – School Audits



Graph 4 shows the results of the schools audit programme. A total of 50% of all locations visited resulted in a Full or Substantial Assurance. This is significantly behind the performance in 2017/18, which was 70%.

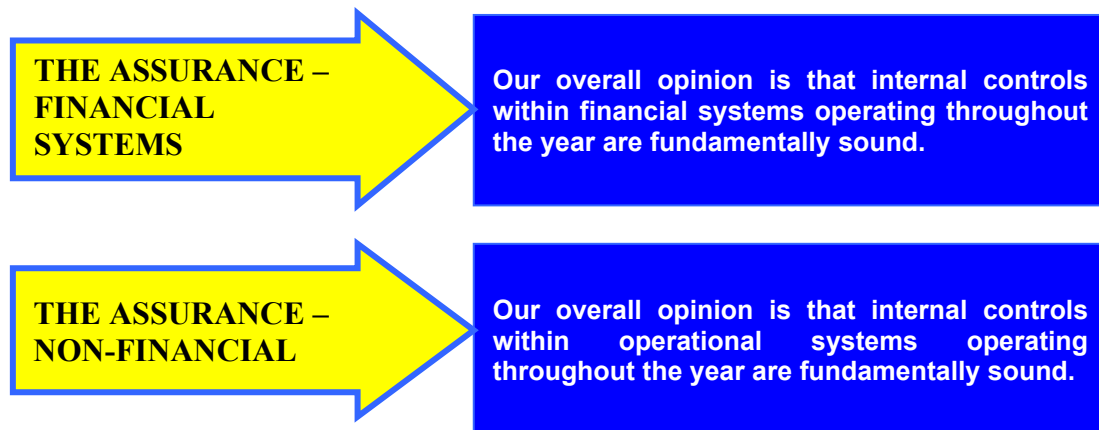
COMPARISON OF ASSURANCE BY AUDIT TYPE 2014/15 TO 2018/19



2018/19 Year Opinion

Internal Control

From the Internal Audit work undertaken in 2018/19, it is our opinion that we can provide **Substantial Assurance** that the system of internal control that has been in place at London Borough of Croydon for the year ended 31 March 2019 accords with proper practice, except for any details of significant internal control issues as documented in the detailed report. The assurance can be further broken down between financial and non-financial systems, as follows:



In reaching this opinion, the following factors were taken into particular consideration:

- 'The Annual Audit Letter', by Grant Thornton for its 2017/18 Audit which issued:
 - an unqualified opinion on the accounts which give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council, and
 - their VfM (Value for Money) conclusion, where 'except for the matter we identified in respect of the Ofsted inspection of children's' services, you [The London Borough of Croydon] had proper arrangements in all significant respects. We therefore propose to give a qualified 'except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources.
- The Executive Director Resources (Section 151 Officer)'s assessment of the internal audit function assessment of the Internal Audit function submitted to the General Purposes and Audit Committee on 18 July 2018.
- A peer review by another London Borough's Head of Internal Audit which was conducted during the course of 2015/16 to assess the extent to which the Council's internal audit service complied with the Public Sector Internal Audit Standards. This showed that the Council's Internal Audit service 'Generally Conforms to the standards'.

Corporate Governance

In our opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- 'The Annual Audit Letter', by Grant Thornton for its 2017/18 Audit, where based on their review of the Council's Annual Governance Statement, they stated that, 'We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we can confirm that we are not aware of any significant risks that are not disclosed within the AGS.'
- 'The Annual Audit Letter', by Grant Thornton for its 2017/18 Audit, where based on their review of the Narrative Report, they stated that, 'The disclosures within the Narrative Report fairly reflects the Council's

risk assurance and governance framework and we can confirm that we are not aware of any significant risks that are not disclosed within the AGS.’

- The Audit Findings for the London Borough of Croydon’, by Grant Thornton for its 2017/18 Audit, where no significant control weaknesses in the Council’s internal control arrangements were identified.
- Our annual audit plan of work, which included governance related audits.

Risk Management

In our opinion, based on:

- Our 2015/16 audit of the Risk Management process, for which a Substantial assurance was provided, and
- Our on-going audits of the departmental risk registers.

We consider the risk management processes are effective and provide regular information on key risks and issues to the Council’s Management and Executive Teams and through to Members. The assessment, evaluation and documentation of risks and controls were continued during the year so that risk registers are revised and updated for all Departments.

Information Technology

In our opinion the information technology of the Council supports the organisation’s strategies and objectives. This opinion is based on our ongoing programme of computer audits, as well as other departmental and corporate audits, which did not identify any material weaknesses with information technology governance.

We would like to take this opportunity to formally record our thanks for the cooperation and support we have received from the management and staff during the year, and we look forward to this continuing over the coming years.

HEAD OF INTERNAL AUDIT

Simon Maddocks (Head of Internal Audit, London Borough of Croydon)
Mark Towler (Director - Mazars LLP)

June 2019

DETAILED REPORT

Introduction

This section is a report from Internal Audit detailing:

- any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;
- any qualifications to the Head of Audit opinion on the Authority's system of internal control, with the reasons for each qualification;
- the identification of work undertaken by other assurance bodies upon which Internal Audit has placed an assurance to help formulate its opinion;
- the management processes adopted to deliver risk management and governance requirements;
- comparison of the work undertaken during the 2018/19 year against the original Internal Audit plans, and
- a brief summary of the audit service performance against agreed performance measures.

Significant Control Weaknesses

Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2018/19, key issues in four areas were identified.

- Although there continues to be improvements, during the course of internal audit work during the year, a number of issues were identified with contract monitoring and management.
- Internal audit work during the year identified a number of issues relating to financial management within the adult and children's social care teams.
- An internal audit conducted during the year of energy recharges identified some significant weaknesses resulting in circa £4M of recharges being outstanding, a significant part of which related to organisations outside of the council. This resulted in a 'No Assurance' audit report being issued.
- Following a change in legislation during 2018, internal audit identified a number of instances where privacy notices relating to the collection of personal data were missing or were no longer fit for purpose. Also noted that agreements with 3rd parties did not always address this issue adequately.

The Council has action plans to address these issues and Internal Audit will be involved in further audits of these areas.

Qualifications to the opinion

Internal Audit had unfettered access to all areas and systems across the authority and received appropriate co-operation from officers and Members. Our Internal Audit plans were based on an assessment of risk, including using the Council's risk register and were supported by the members of the Corporate Leadership Team individually for their departments and divisions as well as the Chief Executive for the overall plans; these have been reviewed and updated in year in agreement with the Council. We have delivered the agreed Internal Audit annual plans and based on the work we have undertaken plus our knowledge of the Council, we have no qualifications to raise as a result of our work programme.

Other assurance bodies

In formulating the overall opinion on internal control, the Head of Internal Audit took into account the work conducted by Ofsted and the external auditor.

Governance Processes

The key features of the framework for Corporate Governance within London Borough of Croydon are outlined below:

- Challenge and review by the General Purposes & Audit Committee (GPAC);
- Corporate objectives and targets have been established and are monitored;
- Implemented structures and processes that reflect good practice guidance, are well documented and are flexible to accommodate change;
- Standards of conduct and a Code of Conduct are in place for Members and officers;
- The Constitution, which was adopted by the Council on 21 May 2012 and subsequently amended in July and October 2012, January and July 2014, May 2015, January, May and September 2016, and January, June and September 2017, May, July and November 2018 and June 2019.
- The Council's Tenders and Contract Regulations, which form part of the Constitution of the London Borough of Croydon and were last adopted by Full Council on 23 May 2016, and
- Financial Regulations are reviewed and revised on an annual basis under delegated authority (by the By the Council's S151 Officer). The current version of the Financial Regulations was issued during June 2019. Day to day guidance is provided via the Financial Procedures maintained by the Governance Team. Training on the Financial Regulations and Procedures forms part of the governance training currently available to managers and staff under the banner of 'Doing the Right Thing'.

Risk Management Process

The principal features of the risk management process are described below:

Members: The Council has a Member risk champion. The GPAC receives regular reports on risk issues and 'Red rated' Strategic, Governance and Operational Risks are formally reviewed on a quarterly basis by GPAC. All Cabinet members are briefed on risks in relation to their portfolio via their Executive Director. All major risks are aligned to the corporate priorities as well as Croydon Vision Theme and Strategy.

Departmental Leadership Team: All risks appear on DLT (Departmental Leadership Team) meeting agendas on a quarterly basis facilitated by a member of the Risk & CPO team.

Head of Risk & Corporate Programme Office: Responsibility for developing, introducing and maintaining Risk Management rests with the Head of Risk & Corporate Programme Office. He has taken the lead on developing and introducing risk registers, defining processes, documentation and standards, and providing the drive for its implementation. The JCAD Risk computer system is used to facilitate this process.

This includes:

- Quarterly risk challenge through Divisional and Departmental MTs is provided by the Risk & CPO function,
- The running of risk workshops by agreement with a number of Project Boards, Project Managers and at Departmental Team Meetings by Risk & CPO to support robust Programme and Project Management standards.
- A Risk Management toolkit is available on the intranet providing an information source for all Council staff.

Audit Plan

The Audit Plan for 2018/19 was compiled using the Council's Risk Registers as the key drivers in developing audit coverage, as well as detailed discussions with CLT members and departmental management teams. The 2018/19 audit plan was approved by the General Purposes and Audit Committee on 26 March 2018.

All audit fieldwork is complete for audits relating to the 2018/19 year programme. The 2018/19 Internal Audit plan is provided in Appendix 1 for information. The schedule shows the number of recommendations raised in each audit during 2018/19 where a final report has been issued.

Internal Audit Performance

Table 1 below sets out the pre-agreed performance criteria for the Internal Audit service. The table shows the actual performance achieved against any targets that were set.

Table 1

Performance Measure	Target	Actual
Percentage of the Internal Audit Plan completed	100%	100%
Percentage of staff with full qualifications used to deliver the service	40%	41%
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	89%
Number of draft reports	82	82

The Council's internal and external auditors co-operate and liaise where possible to aid greater harmonisation of internal and external audit work, with a view to external audit placing reliance on the work of internal audit.

Council's Performance with respect to Internal Audit

Under the internal audit follow-up protocol, follow-up audits are undertaken to establish whether the issues identified have been successfully resolved according to the action plans agreed with the service managers. The Council's minimum target for audit issues resolved at the time of the follow-up audit is 80% for all priority 2 & 3 issues and 90% for priority 1 issues.

Table 2 sets out the performance for the Council's response to Internal Audits. The table shows the actual performance achieved against any targets that were set in advance.

Table 2

Performance Objective	Target	Performance 2014/15	Performance 2015/16 (to date*)	Performance 2016/17 (to date*)	Performance 2017-18 (to date*)	Performance 2018/19 (to date*)
Percentage of priority one issues resolved at the time of the follow up audit	90%	100%	91%	98%	92%	78%
Percentage of all issues resolved at the time of the follow up audit	80%	89%	88%	87%	88%	72%

* The follow ups for 2014/15 audits are complete. Not all 2018/19 audits have yet been subject to follow up action (the results of those 2015/16, 2016/17, 2017/18 and 2018/19 audits that have been followed up are included in Appendixes 3, 4, 5 and 6 respectively).

Quality and Compliance with the Public Sector Internal Audit Standards

Internal Audit has comprehensive quality control and assurance processes in place and operates in accordance with the Public Sector Internal Audit Standards. This provides an independent assurance of the performance, quality and effectiveness at both the individual audit level and the internal audit service as a whole.

The statement of compliance with the Public Sector Internal Audit Standards is detailed in the covering report by the Head of Internal Audit.

Appendix 1 – Work against audit plan

2018/19 Audit Plan	Department	Assurance	Issues			Total Raised
			Priority			
			1	2	3	
KEY FINANCIALS/ IAS 315 REVIEWS						
Business Rates	Resources	Substantial	0	5	1	6
Community Care Payments	Health, Wellbeing and Adults	Limited	2	5	1	8
Council Tax	Resources	Substantial	0	3	0	3
Creditors (inc P2P)	Resources	Substantial	0	1	0	1
Debtors (Accounts Receivable)	Resources	Substantial	0	5	4	9
Housing Benefits	Resources	Substantial	0	2	0	2
Housing Rents & Accounting (Reduced Scope)	Gateway, Strategy and Engagement	Limited	1	2	0	3
Housing Repairs	Gateway, Strategy and Engagement	Limited	1	1	0	2
Main Accounting System (Reduced Scope)	Resources	Substantial	0	0	1	1
Parking Enforcement & Tickets	Place		Report in draft			
Payments to Schools	Resources	Substantial	0	2	0	2
Payroll	Resources		Report in draft			
Pensions Administration	Resources	Limited	1	3	1	5
Treasury Management (Reduced Scope)	Resources	Full	0	0	0	0
Total Key Financials Audits			5	29	8	42

DEPARTMENTAL RISK REGISTER AUDITS						
The Children and Families Systems Support Team (ControCC)	Children, Families and Education	Substantial	0	11	2	13
Payments to In-house Foster Carers	Children, Families and Education		Report in draft			
Payments Against Orders / Allowances (Adoption and Special Guardianships)	Children, Families and Education	Limited	1	9	0	10
SEN - To include Ombudsman upheld complaints	Children, Families and Education	Limited	1	3	1	5
School Deficits & Surpluses (Conversion to Academy)	Children, Families and Education	Substantial	0	4	0	4
GDPR in Schools	Children, Families and Education	Limited	0	8	0	8
Health and Safety in Schools	Children, Families and Education		Report in draft			
Decision Making in Adult Social Care	Children, Families and Education		Report in draft			
Children with Disabilities - Placement Costs and Spend Review	Health, Wellbeing and Adults		Report in draft			
Adult Social Care - Financial Assessment Team	Children, Families and Education		Report in draft			
Deferred Payments (Care Act Part 2)	Gateway, Strategy and Engagement		Report in draft			
Voluntary Sector Commissioning (Adult Social Care)	Resources	No	3	3	2	8
Energy Recharges	Resources	No	2	5	0	7
Air Quality Strategy, Implementation and Review	Place	Limited	3	5	0	8

2018/19 Audit Plan	Department	Assurance	Issues			Total Raised
			Priority			
			1	2	3	
South London Waste Partnership - (SLWP) Governance	Place	Substantial	0	2	1	3
Leisure Contract Management	Place	Substantial	0	2	0	2
Statutory Defence Against Highways & Other Claims	Place	Substantial	0	3	1	4
Allotments	Place	Limited	1	3	1	5
'Live Well' (Active Lifestyle Team)	Place	Limited	1	6	0	7
South London Work & Health Partnership (SLWHP)	Place	Substantial	0	3	0	3
Parking CCTV	Place	Substantial	0	1	0	1
Private Sector Landlords - Fire Safety	Place	Report in draft				
Highways Licencing Function	Place	Report in draft				
No Recourse to Public Funds	Gateway, Strategy and Engagement	Limited	1	3	0	4
Discretionary Housing Payments and other Discretionary Payments	Gateway, Strategy and Engagement	Substantial	0	1	2	3
Mortuary	Place	Report in draft				
(Housing) Voids Management	Place	Limited	1	7	0	8
Temporary Accommodation and New Homeless Reduction Act	Gateway, Strategy and Engagement	Report in draft				
Landlord Lettings Scheme (formally Croylease)	Gateway, Strategy and Engagement	Limited	2	5	1	8
Leasehold Service Charges - Charges to leaseholders	Place	Substantial	0	0	2	2
Growth Zone - High Level Review	Place	Substantial	0	3	0	3
Libraries Income Collection	Place	Limited	2	2	1	5
Public Events	Place	Substantial	0	4	3	7
Election Accounts and Claims	Resources	Limited	1	4	2	7
Cashiers - (Cash Handling)	Resources	Full	0	0	1	1
Coroner's Service	Resources	Substantial	0	3	0	3
General Data Protection Regulation (GDPR)	Resources	Substantial	0	2	0	2
New Legal Services Model	Resources	Report in draft				
HRA - Recycling receipts LLP Structures / Commercial Vehicles / Charities	Resources	Report in draft				
Engagement of Temporary Resource and Monitoring of Usage	Resources	Report in draft				
Asbestos Management (Beyond the Corporate Campus)	Resources	Limited	3	6	3	12
Council Investment and Operational Properties - Income Maximisation	Resources	Substantial	0	3	1	4
Total Departmental Risk Register Audits			22	111	24	157
COMPUTER AUDITS						
Street Systems	Resources	Substantial	0	1	0	1
Capita Event Management	Resources	Substantial	0	3	0	3
Third Party Support / Service Delivery	Resources	Substantial	0	1	0	1
Access to IT Services	Resources	Substantial	0	3	0	3
Total Computer Audits			0	7	0	7

2018/19 Audit Plan	Department	Assurance	Issues			Total Raised
			Priority			
			1	2	3	
CONTRACT AUDITS						
Timebridge Community Centre	Place		Report in draft			
Stubbs Mead Modular Build	Place		Report in draft			
Tier 1 Contract Scorecards	Resources		Report in draft			
Mayor's Office for Policing and Crime (MOPAC) funded 'Drive' site	Resources		Report in draft			
Education Monitoring Tracking for Looked After Children	Children, Families and Education		Report in draft			
PMI General Maintenance	Place		Report in draft			
Partnering Advisor Service	Place		Report in draft			
New Addington Leisure Centre Procurement	Place		Report in draft			
Total Contract Audits			0	0	0	0
SCHOOLS AUDITS						
Christ Church C of E Primary School	Children, Families and Education	Substantial	0	3	7	10
Coulsdon C of E Primary School	Children, Families and Education	Limited	1	2	5	8
The Minster Junior School	Children, Families and Education	Limited	1	5	5	11
Orchard Way Primary School	Children, Families and Education	Substantial	0	3	5	8
Park Hill Infant School	Children, Families and Education	Substantial	0	3	3	6
Regina Ceoli Catholic Primary School	Children, Families and Education	Limited	2	2	6	10
Ridgeway Primary School and Nursery	Children, Families and Education	Substantial	0	1	6	7
The Hayes Primary School	Children, Families and Education	Substantial	0	5	2	7
Winterbourne Junior Girls School	Children, Families and Education	Limited	2	5	5	12
St Andrews C of E VA High School	Children, Families and Education	Limited	1	3	1	5
St Mary's Catholic High School	Children, Families and Education	Substantial	0	9	3	12
Thomas More Catholic School	Children, Families and Education	Limited	0	14	4	18
Virgo Fidelis Convent Senior School	Children, Families and Education	No	11	13	3	27
Bensham Manor School	Children, Families and Education	Limited	1	2	6	9
Total School Audits			19	70	61	150
Total Recommendations			46	217	93	356

Appendix 2 – Summary of Priority One Recommendations

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
Non- School Audits		
Community Care Payments	Limited (Two priority 1, four priority 2 and one priority 3 issue)	Priority 1 issues were raised because testing of a sample of 30 clients who have received funding in the 2018/19 financial year found eight cases where funding was approved after the placement started and 11 cases where the commitment form was raised more than seven days after the respective placement start dates.
Housing Rents & Accounting (Reduced Scope)	Limited (One priority 1 and two priority 3 issues)	A priority 1 issue was raised as there were currently 599 OHMS accounts more than £1,000 in credit at the time of audit totalling £1,417,482.
Housing Repairs	Limited (One priority 1 and 1 priority 2 issue)	A priority 1 issue was raised as 8 of the 35 weekly payment files for 2018/19 transferred from OHMS to Accounts Payable had been processed and checked by the same person.
Pensions Administration	Limited (One priority 1, three priority 2 and one priority 3 issue)	A priority 1 issue was raised because Life certificates had not been issued during 2017/18 or 2018/19 for pensioners living overseas.
Payments Against Orders / Allowances (Adoption and Special Guardianships)	Limited (One priority 1 and nine priority 2 issues)	A priority 1 issue was raised because means tests were not on file for six out of the sample of 10 adoption allowances tested.
SEN - To include Ombudsman upheld complaints	Limited (One priority 1, three priority 2 and one priority 3 issue)	A priority 1 issue was raised because during the last academic year, the percentage of Education and Health Care Plans (EHCPs) completed within the statutory 20 week period was 78%, ranging from 100% in January 2018 to 32% in July 2018. Furthermore sample testing also found that 15 of the sample of 20 ECHPs had not met the 16 week target for the issue of draft ECHPs and the Council was not monitoring the 16 week deadline.
Voluntary Sector Commissioning (Adult Social Care)	No (Three priority 1, three priority 2 and two priority 3 issues)	A Priority 1 issue was raised because copies of agreements or contracts were not available for the partnership/joint funding with the CCG / NHS Croydon or for most of the services directly paid for by the Council from MIND. A Priority 1 issue was raised because examination of the purchase orders raised during 2018/19 identified an instance of duplication, of orders being raised late in the year and of an order being split. A Priority 1 issue was raised because there was no evidence available of any inspections by the Council of the services provided by Croydon MIND or of the general contract terms being complied with by MIND
Energy Recharges	No (Two priority 1 and five priority 2 issues)	A Priority 1 issue was raised because testing of a sample of three ad hoc payment requests found that the payment requests had not been raised in a timely manner after the supply had been received. A Priority 1 issue was raised because no energy costs for 2017/18 had been invoiced and some were still outstanding for 2016/17 amounting to over £4m. In addition, no costs had yet been invoiced for 2018/19.
Air Quality Strategy, Implementation and Review	No (Three priority 1 and five priority 2 issues)	Priority 1 issues were raised because the Air Quality Action Plan (AQAP) for 2017-2022 had not been finalised and published on the Council website, a copy of the Council's Air Quality Annual Status Report for 2017 was not available on the Council's website, and there was a lack of evidence that the AQAP actions were being regularly monitored.
Allotments	Limited (One priority 1, three priority 2 and one priority 3 issue)	A priority 1 issue was raised because actions to follow up outstanding debts were not consistently applied or applied in a timely manner.
'Live Well' (Active Lifestyle Team)	Limited (One priority 1 and six priority 2 issues)	A priority 1 issue was raised because a signed contract was not in place for the Croydon University Hospital (CuH).

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
No Recourse to Public Funds	Limited (One priority 1 and three priority 2 issues)	A priority 1 issue was raised because six of the sample of nine NRPF cases tested had not been evidenced as reviewed in the required 6 months (for adults) or 12 weeks (for children).
(Housing) Voids Management	Limited (One priority 1 and seven priority 2 issues)	A priority 1 issue was raised as testing of a sample of 20 currently void properties identified three properties which had been void for over six months and required major works, but no works had commenced. There was no strategy in place for dealing with these long-standing voids
Landlord Lettings Scheme (formally Croylease)	Limited (Two priority 1, five priority 2 and one priority 3 issue)	A priority 1 issue was raised as current lease agreements were not in place for 5 of the 10 Croylease properties sampled. A priority 1 issue was raised as sample testing of 10 Croylease properties was unable in some cases to evidence the required gas safety or electrical inspections or fire safety certificates.
Libraries Income Collection	Limited (Two priority 1, two priority 2 and one priority 3 issue)	Two priority 1 issues were raised, one relating to the approval and control over the waiver of fines and the other relating to the lack of reconciliations between income collected and income banked and coded to Oracle ledger codes.
Election Accounts and Claims	Limited (One priority 1, four priority 2 and two priority 3 issues)	A priority 1 issue was raised as there was no evidence that a record of expenditure had been maintained during the 2017 General Election. We were advised that it was a matter of spending what was required to run the election (what is actual and necessary) and keeping the invoices on file. The 2017 General Election was overspent for all three constituencies.
Asbestos Management (Beyond the Corporate Campus)	Limited (Three priority 1, six priority 2 and three priority 3 issues)	A priority 1 issue was raised as examination of a copy of the Council's Asset Register as at July 2017 identified there were 793 corporate assets recorded; however, examination of the Corporate Asbestos Management Plan (CAMP) identified there were only 117 assets. A priority 1 issue was raised as examination of Apex identifies some 12,965 out of 22,207 housing assets marked as 'to be determined' if notifiable to the Health Safety Executive (HSE). Discussion established that information on notifying the HSE was not provided in Asbestos Management Survey Reports and, therefore, this field defaulted to 'to be determined'. A priority 1 issue was raised as there were some 7,762 housing assets, assets for which there was no identifier of whether asbestos was either identified, strongly presumed, presumed or was not found. Discussion established that this number included assets such as roads; however, examination of the listing noted that there were also general rent dwellings, service tenancies and garages included
SCHOOL AUDITS		
Coulston C of E Primary School	Limited (One priority 1, two priority 2 and five priority 3 recommendations)	A priority 1 recommendation was raised as examination of the School's central single record found that this did not include a newly appointed governor (appointed on 10 July 2018) and thus there was no evidence that their DBS check had been completed as required.
The Minster Junior School	Limited (One priority 1, five priority 2 and five priority 3 recommendations)	A priority 1 recommendation was raised as purchase orders for 7 of the sample of 15 transactions tested were raised subsequent to the invoices being received and one purchase order was not available. In addition, two of these showed no evidence of approval.
Regina Ceoli Catholic Primary School	Limited (Two priority 1, two priority 2 and six priority 3 recommendations)	A priority 1 recommendation was raised as four governors were found to have out of date DBS checks. A priority 1 recommendation was raised as 10 out of 15 purchases selected for testing had purchase orders raised retrospectively to the receipt of the corresponding invoices.
Winterbourne Junior Girls School	Limited (Two priority 1, five priority 2 and five priority 3 recommendations)	A priority 1 recommendation was raised as the Head Teacher had not been appraised since November 2017. A priority 1 recommendation was raised as 10 out of 15 transactions tested were not certified for payment.
St Andrews C of E VA High School	Limited (One priority 1, three priority 2 and one priority 3 recommendation)	A priority 1 recommendation was raised as purchase orders were not available for 16 of the sample of 28 transactions tested and for two transactions, where orders and requisitions were held, the

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
	priority 3 recommendations)	transaction values exceeded the delegated limit of the person authorising the transactions.
Virgo Fidelis Convent Senior School	No (Eleven priority 1, thirteen priority 2 and three priority 3 recommendations)	<p>Priority 1 recommendations were raised as:</p> <ul style="list-style-type: none"> • Signed Governing Body minutes and accompanying papers were not available for meetings held since 26 September 2017. • There was no evidence that the Governing Body had reviewed and approved the Schools 'Financial Policies and Procedures Manual', which includes the School's scheme of financial delegation, in the last year as required. • The School's self-assessment for 2017/18 against the School Financial Value Standard was not evidenced as approved by governors as required and a number of the assertions in this assessment by the School conflict with the findings of this audit report. • The School does not have a plan in place to eliminate its deficit of £1.24m. • Two references were not evidenced as being obtained for 3 of the 5 new staff starters. • 5 of the current governors were not included in the School's Single Central Record and DBS renewal checks, although in progress, were overdue for 16 staff. • Purchase orders were not available for 8 of the 14 applicable transactions tested and 3 of the purchase orders available were authorised by someone without the delegated authority to do so. • Goods received checks were not evidenced for 5 of the 14 applicable transactions tested and for 5 of the instances where checks were evidenced, these were simple ticks and did not record who had conducted the check. • 8 of the 15 invoices tested were either not evidenced as authorised or were not evidenced as authorised with someone with delegated authority to do so. • Sample testing identified off-payroll payments being made to an individual who would be deemed by HMRC to be an employee. <p>The Head Teacher did not have any oversight of lettings and copies of the lettings diary, any letting application forms and accompanying indemnity insurance evidence were not available at the time of audit.</p>
Bensham Manor School	Substantial (One priority 1, two priority 2 and six priority 3 recommendations)	A Priority 1 recommendation was raised as sample testing identified payments being made to two separate individuals without PAYE or NI deductions being made, without properly testing whether they were likely to be deemed employees by HMRC.

Appendix 3 - Follow-up of 2015/16 audits (Incomplete follow ups only)

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2015/16	Performance Monitoring Adult Social Care	Guy Van Dichele	Limited (4 th follow up in progress)	9	7	78%
2015/16	EMS Application	Jacqueline Harris Baker	Limited (9 th follow up in progress)	4	1	25%
2015/16	ICT Service Delivery ITIL Framework	Jacqueline Harris Baker	Limited (5 th follow up in progress)	2	1	50%
2015/16	Looked After Children (placed in another LA area)	Robert Henderson	Substantial (3 rd follow up in progress)	6	4	66%
2015/16	Connected Croydon – Programme and Project Management	Shifa Mustafa	Substantial (2 nd follow up in progress)	4	2	50%
2015/16	Waste Recycling	Shifa Mustafa	Substantial (5 th follow up in progress)	3	1	33%
2015/16	Internal Network	Jacqueline Harris Baker	Substantial (4 th follow up in progress)	2	1	50%
Non-School Audits Sub Total: Issues and implementation from audits that have had responses				235	202	86%
Non-School Audits Sub Total: Priority 1 Issues from audits that have had responses				22	20	91%
School Audits Sub Total: Issues and implementation from audits that have had responses				48	48	100%
School Audits Sub Total: Priority 1 Issues from audits that have had responses				0	0	N/a
Issues and implementation from audits that have had responses				283	250	88%
Priority 1 Issues from audits that have had responses				22	20	91%

Appendix 4 - Follow-up of 2016/17 audits (Incomplete follow ups only)

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2016/17	Adult Care Packages	Guy Van Dichele	Limited (5th follow up in progress)	7	6	86%
2016/17	Contract Monitoring and Management - Streets Division	Shifa Mustafa	Limited (1st follow up in progress)	6	-	-
2016/17	HMRC Compliance	Jacqueline Harris Baker	Substantial (4th follow up in progress)	5	3	60%
2016/17	Anti-Social Behaviour	Shifa Mustafa	Substantial (5th follow up in progress)	9	6	67%
2016/17	Regeneration Partnership	Shifa Mustafa	Substantial (1st follow up in progress)	2	-	-
2016/17	Clinical Governance	Guy Van Dichele	Substantial (4th follow up in progress)	3	1	33%
Non-School Audits Sub Total: Issues and implementation from audits that have had responses				239	214	89%
Non-School Audits Sub Total: Priority 1 Issues from audits that have had responses				24	23	94%
School Audits Sub Total: Issues and implementation from audits that have had responses				206	172	83%
School Audits Sub Total: Priority 1 Issues from audits that have had responses				16	16	100%
Issues and implementation from audits that have had responses				445	386	87%
Priority 1 Issues from audits that have had responses				40	39	98%

Appendix 5 - Follow-up of 2017-18 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2017/18	Mayors Charity	Jacqueline Harris Baker	No (No further follow up)	13	11	85%
2017/18	Abandoned Vehicles	Shifa Mustafa	No (3 rd follow up in progress)	10	7	70%
2017/18	Budget Management - People	Robert Henderson	Limited (No further follow up)	2	2	100%
2017/18	Appointeeships	Hazel Simmonds	Limited (No further follow up)	7	7	100%
2017/18	Health Visiting	Guy Van Dichele	Limited (No further follow up)	2	2	100%
2017/18	Direct Payments	Guy Van Dichele	Limited (No further follow up)	4	4	100%
2017/18	Special Sheltered Housing	Jacqueline Harris Baker	Limited (No further follow up)	10	9	90%
2017/18	Unaccompanied Asylum Seeking Children	Robert Henderson	Limited (2 nd follow up in progress)	2	1	50%
2017/18	Croydon Enterprise Loan Fund	Shifa Mustafa	Limited (no further follow up)	5	5	100%
2017/18	Brokerage	Jacqueline Harris Baker	Limited (3 rd follow up in progress)	10	9	90%
2017/18	Deprivation of Liberty Safeguards	Guy Van Dichele	Limited (No further follow up)	4	4	100%
2017/18	Registrars	Jacqueline Harris Baker	Limited (No further follow up)	6	5	83%
2017/18	Food Safety	Shifa Mustafa	Limited (No further follow up)	11	9	82%
2017/18	Pay and Display Meter Maintenance and Income Collection	Shifa Mustafa	Limited (4 th follow up in progress)	4	3	75%
2017/18	Tree Root Inspections	Shifa Mustafa	Limited (No further follow up)	6	5	83%
2017/18	ICT Capita Contract	Jacqueline Harris Baker	Limited (No further follow up)	1	1	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2017/18	SekChek Active Directory System Security	Jacqueline Harris Baker	Limited (2nd follow up in progress)	10	4	40%
2017/18	MyAccount and MyApplication	Jacqueline Harris Baker	Limited (No further follow up)	5	5	100%
2017/18	Parking Enforcement and Income	Shifa Mustafa	Substantial (1 st follow up in progress)	5	-	-
2017/18	Payroll	Jacqueline Harris Baker	Substantial (No further follow up)	3	3	100%
2017/18	CALAT Income Collection	Shifa Mustafa	Substantial (No further follow up)	6	6	100%
2017-18	Open Book Accounting (Axis Europe plc)	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2017-18	Temporary Accommodation Occupancy Checks	Vacant	Substantial (No further follow up)	3	3	100%
2017/18	Youth Offending service	Robert Henderson	Substantial (No further follow up)	3	3	100%
2017-18	Development Management	Shifa Mustafa	Substantial (1 st follow up in progress)	5	-	-
2017/18	Place Review Panel	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2017/18	Croydon Equipment Solutions	Jacqueline Harris Baker	Substantial (No further follow up)	7	7	100%
2017/18	Street Trading Income Collection	Shifa Mustafa	Substantial (No further follow up)	9	8	89%
2017-18	Transport Fleet Management	Jacqueline Harris Baker	Substantial (No further follow up)	3	3	100%
2017-18	Gifts and Hospitality	Jacqueline Harris Baker	Substantial (2 nd follow up in progress)	4	3	75%
2017/18	Admitted Bodies	Jacqueline Harris Baker	Substantial (2nd follow up in progress)	4	1	25%
2017/18	Unix (Linux) Operating System Security	Jacqueline Harris Baker	Substantial (No further follow up)	3	3	100%
2017/18	Design of New Back up and Disaster Recovery Solution	Jacqueline Harris Baker	Substantial (2 nd follow up in progress)	2	1	50%
2017/18	GIS Application	Jacqueline Harris Baker	Substantial	5	2	40%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
			(2 nd follow up in progress)			
2017/18	Windows OS Security	Jacqueline Harris Baker	Full (no further follow up planned)	2	2	100%
2017/18	Smitham 2016 School Heating Works	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2017/18	New Addington Leisure Centre and Housing Construction	Shifa Mustafa	Substantial (No further follow up)	1	1	100%
Non-School Audits Sub Total: Issues and implementation from audits that have had responses				176	148	84%
Non-School Audits Sub Total: Priority 1 Issues from audits that have had responses				32	28	87%
School Audits						
2017/18	Beulah Juniors	Robert Henderson	Limited (No further follow up)	13	11	84%
2017/18	Elmwood Infants School	Robert Henderson	Limited (No further follow up)	14	14	100%
2017/18	The Minster Nursery and Infant School	Robert Henderson	Limited (No further follow up)	17	15	89%
2017/18	Norbury Manor	Robert Henderson	Limited (No further follow up)	12	11	92%
2017/18	St Joseph's Federation	Robert Henderson	Limited (No further follow up)	25	21	84%
2017/18	Winterbourne Nursery and Infants	Robert Henderson	Limited (No further follow up)	18	16	89%
2017/18	St Mary's High School	Robert Henderson	Limited (No further follow up)	16	14	87%
2017/18	Crosfield Nursery and Selhurst Early Years	Robert Henderson	Substantial (No further follow up)	2	2	100%
2017/18	Purley Nursery	Robert Henderson	Substantial (No further follow up)	4	4	100%
2017/18	Tunstall Nursery	Robert Henderson	Substantial (No further follow up)	4	4	100%
2017/18	Thornton Heath Early Years Centre	Robert Henderson	Substantial (No further follow up)	7	6	86%
2017/18	All Saints C of E Primary	Robert Henderson	Substantial (No further follow up)	8	7	87%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2017/18	Elmwood Junior	Robert Henderson	Substantial (No further follow up)	3	3	100%
2017/18	Heavers Farm	Robert Henderson	Substantial (No further follow up)	10	10	100%
2017/18	Howard Primary	Robert Henderson	Substantial (No further follow up)	13	13	100%
2017/18	Margaret Roper	Robert Henderson	Substantial (No further follow up)	16	13	81%
2017/18	Purley Oaks Primary	Robert Henderson	Substantial (No further follow up)	7	7	100%
2017/18	Rockmount Primary	Robert Henderson	Substantial (No further follow up)	6	5	83%
2017/18	Selsdon Primary	Robert Henderson	Substantial (No further follow up)	9	9	100%
2017/18	Woodcote Primary	Robert Henderson	Substantial (No further follow up)	7	7	100%
2017/18	Coloma Convent Girls' School	Robert Henderson	Substantial (No further follow up)	14	12	86%
2017/18	Saffron Valley	Robert Henderson	Substantial (No further follow up)	6	6	100%
2017/18	Priory	Robert Henderson	Substantial (No further follow up)	6	6	100%
2017/18	Beaumont Primary	Robert Henderson	Full (No further follow up)	3	3	100%
2017/18	Archbishop Tenison	Robert Henderson	Full (No further follow up)	1	1	100%
School Audits Sub Total: Issues and implementation from audits that have had responses				241	220	91%
School Audits Sub Total: Priority 1 Issues from audits that have had responses				16	16	100%
Issues and implementation from audits that have had responses				417	368	88%
Priority 1 Issues from audits that have had responses				48	44	92%

Appendix 6 - Follow-up of 2018/19 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2018/19	Pensions Administration	Jacqueline Harris-Baker	Limited (2 nd follow up in progress)	5	2	40%
2018/19	Payments Against Orders	Robert Henderson	Limited (1 st follow up in progress)	10	-	-
2018/19	SEN to include Ombudsman upheld complaints	Robert Henderson	Limited (1 st follow up in progress)	5	-	-
2018/19	GDPR in Schools	Robert Henderson	Limited (No further follow up)	8	8	100%
2018/19	Allotments	Shifa Mustafa	Limited (2 nd follow up in progress)	5	3	75%
2018/19	Landlord Lettings Scheme (formerly Croylease)	Hazel Simmonds	Limited (No further follow up)	8	8	100%
2018/19	Libraries Income Collection	Shifa Mustafa	Limited (No further follow up)	5	5	100%
2018/19	Asbestos Management (Beyond the Corporate Campus)	Shifa Mustafa	Limited (2 nd follow up in progress)	12	3	25%
2018/19	Parking CCTV	Shifa Mustafa	Substantial (No further follow up)	1	1	100%
2018/19	Growth Zone – High level Review	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2018/19	Leisure Contract Management	Shifa Mustafa	Substantial (1 st follow up in progress)	2	-	-
2018/19	Highways Statutory Defence	Shifa Mustafa	Substantial (No further follow up)	4	4	100%
2018/19	Discretionary Housing Payments	Hazel Simmonds	Substantial (No further follow up)	3	3	100%
2018/19	Leasehold Service Charges	Hazel Simmonds	Substantial (1 st follow up in progress)	2	-	-
2018/19	Public Events	Shifa Mustafa	Substantial (1 st follow up in progress)	7	-	-
2018/19	Cashiers (Cash Handling)	Jacqueline Harris-Baker	Full (No further follow up)	1	1	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2018/19	Access to IT Server	Jacqueline Harris-Baker	Substantial (1 st follow up in progress)	3	-	-
2018/19	Third Party – Service Delivery	Jacqueline Harris-Baker	Substantial (1 st follow up in progress)	1	-	-
Non-School Audits Sub Total: Issues and implementation from audits that have had responses				55	41	75%
Non-School Audits Sub Total: Priority 1 Issues from audits that have had responses				9	7	78%
School Audits						
2018/19	Virgo Fidelis Convent School	Robert Henderson	No (3 rd follow up in progress)	27	16	60%
2018/19	Coulsdon C of E Primary School	Robert Henderson	Limited (No further follow up)	8	7	88%
2018/19	The Mister Junior School	Robert Henderson	Limited (2 nd follow up in progress)	11	5	45%
2018/19	Regina Coeli Catholic Primary School	Robert Henderson	Limited (No further follow up)	10	10	100%
2018/19	Thomas More Catholic School	Robert Henderson	Limited (2 nd follow up in progress)	18	13	73%
2018/19	Christ Church Cof E Primary School	Robert Henderson	Substantial (No further follow up)	10	10	100%
2018/19	Orchard Way Primary School	Robert Henderson	Substantial (1 st follow up in progress)	8	-	-
2018/19	Park Hill Infant School	Robert Henderson	Substantial (No further follow up)	6	6	100%
2018/19	Ridgeway Primary School	Robert Henderson	Substantial (1 st follow up in progress)	7	-	-
2018/19	The Hayes Primary School	Robert Henderson	Substantial (1 st follow up in progress)	7	-	-
2018/19	Bensham Manor School	Robert Henderson	Substantial (2 nd follow up in progress)	9	6	67%
School Audits Sub Total: Issues and implementation from audits that have had responses				90	64	71%
School Audits Sub Total: Priority 1 Issues from audits that have had responses				16	11	69%
Issues and implementation from audits that have had responses				145	105	72%
Priority 1 Issues from audits that have had responses				25	18	78%

Appendix 7 - Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Agenda Item 6

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 11 July 2019
SUBJECT:	Internal Audit Review of Effectiveness 2018/19
LEAD OFFICER:	Director of Finance, Investment & Risk (Interim Section 151 Officer)
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: The Council is required by the Audit and Account Regulations 2015 to review the effectiveness of the Council's Internal Audit function when preparing the Annual Governance Statement 2018/19. The Annual Governance Statement is published alongside the Annual Accounts.	
FINANCIAL SUMMARY: The Internal Audit contract for 2018/19 was a fixed price contract of £377,280 and appropriate provision was made within the budget for 2018/19.	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

1. RECOMMENDATION

- The Committee is asked to review and comment on the Director of Finance, Investment & Risk (interim Section 151 Officer)'s assessment of the internal audit function.

2. EXECUTIVE SUMMARY

2.1 This report details the Director of Finance, Investment & Risk (Section 151 Officer)'s review of the effectiveness of the Council's internal audit. In assessing Internal Audit's effectiveness the Council has used the following criteria and sources of information:

- Public Sector Internal Audit Standards
- Internal Audit performance
- Stakeholders Feedback
- External Audit opinion.

3. System of review

3.1 The Accounts and Audit Regulations 2015 require the Council to review, at least annually the effectiveness of its internal audit function. The findings of this review need to be considered and published as part of the Committee's review of the effectiveness of the systems of internal control. This in turn forms the basis of the Committee's consideration of the Annual Governance Statement.

3.2 The Internal Audit service is one of the key foundations of the Council's Assurance Framework and governance structure, therefore the Committee needs to be satisfied that the function is effective in ensuring it can place reliance on the Council's internal control systems.

3.3 The Director of Finance, Investment & Risk (interim Section 151 Officer) has completed a review of the internal audit service and that is now reported to the Committee.

3.4 For the purposes of the review the internal audit service was defined as the service provided by Mazars PSIA Ltd via the internal audit contract and the small in-house client team that leads and manages the contract. The contract for internal audit services was re-let in April 2018 for a period of six years with an option for a two year extension.

3.5 A peer review by another London Borough's Head of Internal Audit was conducted during the course of 2015/16 to assess the extent to which the Council's internal audit service complied with the Public Sector Internal Audit Standards. This showed that at that time the Council's Internal Audit service 'Generally Conformed' to the standards and details were reported to this committee at the time. The Public Sector Internal Audit Standards require that an external review is carried out at least every 5 years.

4. Internal Audit Performance 2018/19

4.1 A key measure of the Internal Audits service's effectiveness is the action taken in implementing audit recommendations. The Council's target for audit recommendations implemented at the time of the follow-up audit is 80% for all priority 2 & 3 recommendations and 90% for priority 1 Recommendations.

4.2 The use of targets is accompanied by a stringent approach to the follow up process with tighter timescales for follow up work to commence linked to the level of assurance. Table 1 details the performance in all follow up work completed for audits carried out in 2014/15 through to 2018/19.

Table 1: Implementation of Audit Recommendations to date

Performance Objective	Target	Performance 2014/15	Performance 2015/16 (to date*)	Performance 2016/17 (to date*)	Performance 2017-18 (to date*)	Performance 2018/19 (to date*)
Percentage of priority one recommendation implemented at the time of the follow up audit	90%	100%	91%	98%	92%	78%
Percentage of all recommendations implemented at the time of the follow up audit	80%	89%	88%	87%	88%	72%

* Audits are still being followed up for each of these years, therefore the percentage will change.

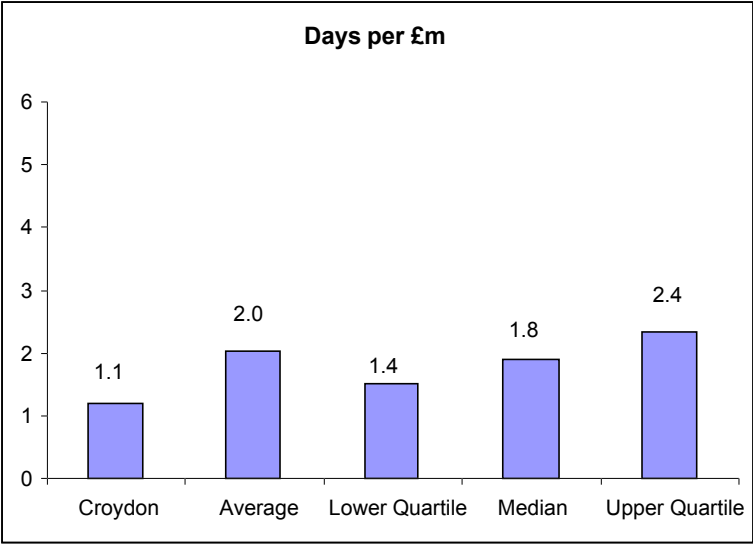
4.3 Table 2 details the Internal Audit service performance against key targets for 2018/19. Delivering 100% of the audit plan is an excellent performance.

Table 2: Internal Audit Performance

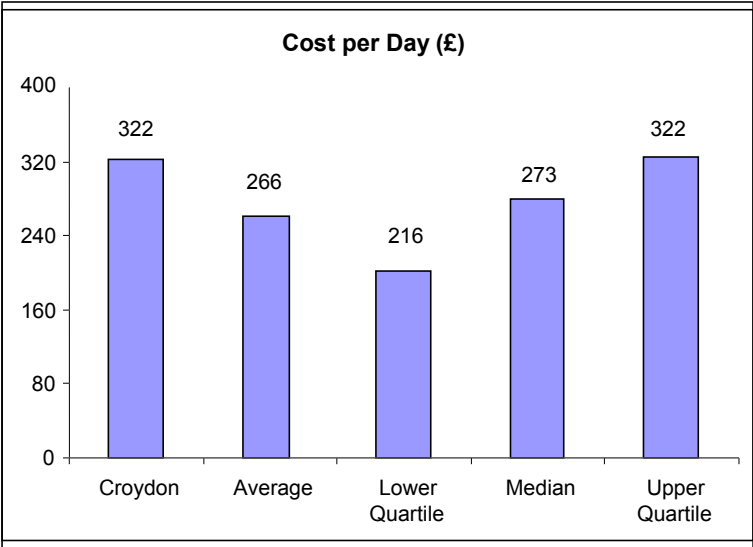
Performance Objective	Annual Target	Annual Performance	RAG
% of planned 2018/19 audit plan delivered	100%	100%	G
Number of 2018/19 draft reports issued	82	82	G
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	89%	G
% of staff with full qualifications engaged on audit	40%	41%	G

4.4 To ensure the Council continuously improves its Internal Audit service, the Council participated in the CIPFA Audit Benchmarking Club 2018. A range of performance data and information relating to Internal Audit cost and audit coverage was compared to 14 unitary authorities within the benchmarking club from across England & Wales. The headlines were that the Council was below average in relation to the number of audit days per £m gross turnover and reasonable in the cost per chargeable day. These resulted in a better than average audit cost per £m gross turnover.

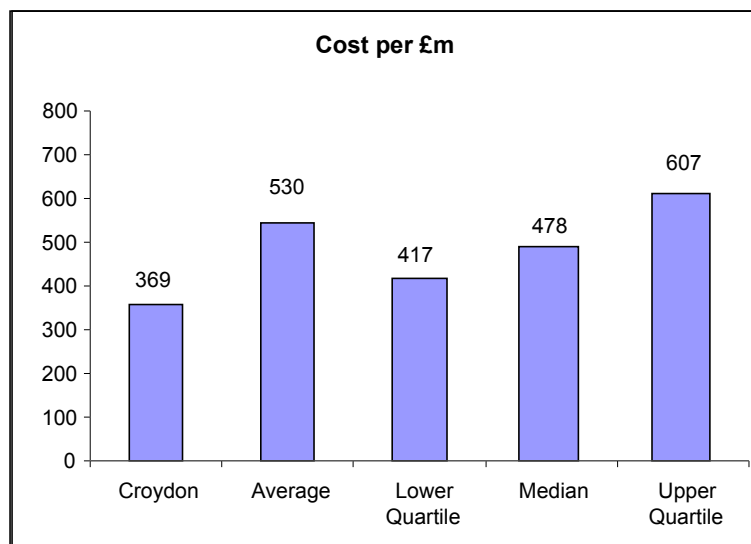
4.5 The performance for 2017/18 is shown in the following graphs



This shows that because of its risk focused approach to internal audit, Croydon uses proportionately fewer days per £M of council gross expenditure than most other unitary authorities.



This shows the cost of each day of internal audit activity. Croydon is in line with the upper quartile, reflecting the fact that costs are generally higher in London than the rest of the country.



This shows that the combination of well focused activity and reasonable costs per day results in cost per £M of council gross expenditure which is below the lower quartile for unitary authorities nationally.

5. Stakeholder Feedback

5.1 The added value of internal audit and a key measure of their effectiveness is stakeholder feedback. The auditee of every audit is asked to complete a customer satisfaction survey. There was a disappointing 15% response rate for audits carried out in 2018/19. This is down from the previous year (17%). The summary results are shown in table 3.

Table 3: Customer satisfaction

	2017/18 Good or Very Good	2018/19 Good or Very Good
Usefulness of the audit	88%	100%
Effectiveness of audit in covering key areas	94%	100%
Duration of audit	88%	82%
Feedback of findings and the opportunity to provide explanations	88%	91%
Presentation & Clarity of reports	94%	100%
Accuracy of findings in audit reports	88%	82%
Value of the report and the recommendations	88%	100%
Assessment of auditors knowledge	88%	91%
Assessment of auditors professionalism	94%	91%
Accessibility of the auditor and the audit service	94%	91%

5.2 The overall score for 2018/19 was **92%** which is similar to last year (90%). This compares with 75% when we started to measure in 2006/07.

5.3 Where adverse comments are received these are followed up individually with the auditee to identify if there are learning points in relation to the individual auditor, a specific audit, or the audit process in general.

6. Public Sector Internal Audit Standards (PSIAS)

- 6.1 The PSIAS require that “external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.”
- 6.2 Such an assessment was carried out in early 2016 by the Head of Internal Audit at the London Borough of Harrow. Her qualifications for conducting this review are: She is a member of Chartered Institute of Internal Auditors with 32 years experience of local government internal audit including 25 years experience in internal audit management. This was organized as part of the London Audit Group’s peer review group which includes most of the 33 London Boroughs.
- 6.6 The review concluded that: **Based on the work carried out it can be confirmed that internal audit at the London Borough of Croydon GENERALLY CONFORMS with the UK Public Sector Internal Audit Standards.**
- 6.7 More recently, Croydon Council’s head of internal Audit has carried out a self-assessment which confirms that the service still GENERALLY CONFORMS with the standards.

7. External Audit

- 7.1 As part of their interim audit work, the council’s external auditor gave the following report on internal audit to this committee at its meeting in March 2016:

“We have completed a high level review of internal audit’s overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We have also reviewed internal audit’s work on your key financial systems to date.”

“Overall, we have concluded that the internal audit service provides an independent and satisfactory service and that internal audit work contributes to an effective internal control environment.”

8. Conclusion

- 8.1 A comparison of the benchmarking indicators with the performance and impact indicators demonstrates a cost effective service delivering value for money.

9. FINANCIAL & RISK CONSIDERATIONS

- 9.1 The Internal Audit contract for 2018/19 was a fixed price contract of £377,280 and appropriate provision was made within the budget for 2018/19. There are no additional risk considerations than those within the report.

(Approved by: Ian Geary, Head of Finance, Resources & Accountancy)

10. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 10.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the s151 Officer's Internal Audit review will assist the Council to meet the requirements of Regulation 3 Accounts and Audit Regulations 2015.

(Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer)

11. HUMAN RESOURCES IMPACT

- 11.1 There are no immediate human resource considerations arising from this report for LBC employees or staff.

(Approved by: Gillian Bevan, Head of HR for Resources)

12. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, CRIME AND DISORDER REDUCTION & HUMAN RIGHTS IMPACTS

- 12.1 Any impacts in relation to these areas are detailed in the strategic and departmental risk register. The process of managing risk through the risk register mechanism ensures that all impacts are considered and managed.

13. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

- 13.1 The publicity requirements for the financial statements referred to in this report mean that they will for part of the Council's Publication Scheme maintained under the Freedom of Information (FOI) Act.

CONTACT OFFICER: Lisa Taylor, Director of Finance, Investment & Risk (interim Section 151 Officer)

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REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 11 July 2019
SUBJECT:	Anti-Fraud Update Report 1 April 2018 – 31 March 2019
LEAD OFFICER:	Lisa Taylor, Director of Finance, Investment & Risk
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The work of the Audit & Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services contributing to the achievement of the Council’s vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law abiding Borough.</p>	
FINANCIAL SUMMARY:	
<p>The budget provision for the Anti-Fraud service for 2018/19 was £263,000 and the service was delivered within budget.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

1.	RECOMMENDATIONS
1.1	<p>The Committee is asked to:</p> <ul style="list-style-type: none"> • Note the Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2018 – 31 March 2019

2. EXECUTIVE SUMMARY

2.1 This report details the performance of the Council’s Corporate Anti-Fraud Team (CAFT) and includes details of the team’s performance together with an update on developments during the period 1 April 2018 – 31 March 2019.

3. DETAIL

Performance 1 April 2018 to 31 March 2019

3.1 The CAFT comprises 10 staff (8.9 FTEs), including investigators, an Intelligence Officer and an Investigation Manager. The CAFT investigates allegations of fraud which affect the Council’s business. In addition the team provides a service to the London Borough of Lambeth, as well as providing

Financial Investigation services to the Merton/Kingston/Sutton Trading Standards partnership. Statistics related to the other councils that CAFT supports are not included in the figures below.

- 3.2 It has been reported previously to this committee that the CAFT was selected as a pilot to take part and help develop the London Counter Fraud Hub (LCFH), alongside Ealing, Camden and Islington councils. The ambition of the LCFH project is to see all of London matching datasets to identify discrepancy. Examples of these could be people registering housing need in more than one borough, claiming small business rate relief on more than one business or claiming single person discount on their council tax when they are not entitled. Following a 2 year period of testing and development the project has been signed off by its Oversight Board and local authorities across London have been invited to join up, via subscription and Croydon Council will be subscribing and will continue to support the Hub with a planned go live date of 1st October 2019.
- 3.3 One of the main challenges for the team in 18/19 was in dealing with a significant increase in the misuse of disabled parking permits (Blue Badges). A great deal of investigator time was taken up in dealing with an influx of forged blue badges being used in the borough. These were of a high quality and even included a copy of the security hologram which appears on a genuine blue badge. The team worked with both the police and parking services to identify and deal urgently with these cases and will this year be prosecuting a number of offenders for using these false documents. We know from our investigation that many of the people using these forged documents had paid £250 for the document but neither CAFT nor the Police have yet been able to identify who is producing these forgeries. However, since targeting this fraud and dealing robustly with those caught using them, we are seeing a significant reduction in this offending across the borough.
- 3.4.1 There are local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below reflect the focus of the team. Table 2 shows a breakdown of these figures.

Table 1 – Key performance indicators

	ANNUAL TARGET 17/18	ANNUAL TARGET 18/19	18/19
Successful Outcomes	120	100	145
Identified Overpayments & Savings	£1,250,000	£1,250,000	£1,100,063

Table 2 - Breakdown of Outcomes from 1 April 2018 – 31 March 2019 compared to the same period in 2017/18

2017/18		2018/19	
Area	Value £	Area	Value £
Housing 19 Recovered Properties 4 Right to Buy stopped 49 Removed from housing list 1 Succession stopped 2 Possession orders 12 Legal notices served	342,000 415,600 *98,000 18,000	Housing 8 Recovered properties 2 Right to Buy stopped 21 Removed from housing list 2 Removed from TA 1 Succession stopped 7 Possession orders 2 Nomination rights 18 Legal notices	144,000 209,800 *42,000 36,000 18,000
Total Housing 65	873,600	61	449,800
Corporate 13 Formal Cautions 21 Dismissal/Resignation & Other Disciplinary Action 29 Council Tax Discounts 22 Blue Badge Abuse 1 Insurance Reviewed 1 Care Package Stopped 8 Direct Payment 9 Recommendations for Improvements 1 Safeguarding Referral 4 Landlord licence 5 Council Tax reduction cancelled 1 NRPF deportation 29 Other		Corporate 15 Formal Cautions 8 Dismissal/Resignation & Other Disciplinary Action 10 Council Tax reduction 12 Council Tax discounts 27 Blue Badge Abuse 1 Direct payment 4 Safeguarding referrals 1 SEN removed 1 Freedom pass 5 Other	
Total Corporate 144	423,544	84	650,263
Total 209	1,297,144	145	1,100,063

* Non-cashable saving, as cost to the council only arises when someone moves from the list to a tenancy.

4. FINANCIAL INVESTIGATIONS

- 4.1 The Council employs two Financial Investigators to undertake work using the Proceeds of Crime Act 2002. This includes investigating and developing cases to obtain confiscation orders plus cash seizure and cash forfeiture cases. Croydon's Financial Investigators undertake work for other councils, who do not have this capacity, on a fee basis. Last year they undertook work for the Merton/Richmond Regulatory services partnership.

Their investigations relate to various departments within the Councils including:

- Environmental enforcement – legacy cases
 - Trading Standards - trademark and rogue trader cases
 - Planning – enforcement case;
 - Licensing
 - Internal cases
 - Safeguarding cases
- 4.2 At the time of writing the Financial Investigators have 15 cases under investigation involving a total of 23 defendants. These investigations relate not only to Croydon cases, but also to a case for another council.
- 4.3 Financial Investigators are empowered to apply for restraint orders which have to be approved by a Crown Court judge. A restraint order freezes property, including money and assets anywhere in the world. The aim of the order is to preserve a defendant's assets and make them available to satisfy a confiscation order. When there is a successful prosecution and if a confiscation order is granted then the restrained assets may be sold in order to pay the confiscation order. The Council receives a portion of the value of a confiscation order and any forfeited cash.
- 4.4 The Council's Financial Investigators currently have £110,000 of cash detained pending forfeiture plus the following items are restrained;
- 33 Bank Accounts
 - 3 Properties
 - 1 plot of land
- 4.5 During 18/19 one house, one flat and 14 accounts were released from restraint because these assets were needed to satisfy confiscation orders. In the year 18/19 £167,628.83 was granted to Croydon in compensation orders from POCA cases which the courts and the Home Office are now recovering before making payment to us.

5. LOCAL GOVERNMENT TRANSPARENCY CODE

- 5.1 Members will be aware of the Local Government Transparency Code which requires Councils to publish data about various areas of their activities. Included in the 2014 code is detail on Counter Fraud work, most of this information has always been reported to committee; however there are some new areas which

now need to be made public. These are detailed below for the period from April 2018 to 31 January 2019:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	9
Total number of employees undertaking investigations and prosecutions relating to fraud	8
Total number of full time equivalent employees undertaking investigations and prosecutions of fraud	6.9
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	7
Total number of full time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	6.1
Total number of fraud cases investigated*	379

*The number of investigations that have been closed during the period April '18 to 31 January 19.

6. FINANCIAL AND RISK ASSESSMENTS

- 6.1 The budget provision for the Anti-Fraud service for 2018/19 was £263,000 and the service was delivered within budget.
- 6.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Ian Geary, Head of Finance, Resources & Accountancy)

7. LEGAL CONSIDERATIONS

- 7.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that CAFT, in undertaking the functions detailed within the report is required to ensure that there is ongoing compliance with the Data Protection Act 2018, the General Data Protection Regulation and that any necessary Privacy Notices and Data Sharing Agreements are in place and are kept under review to ensure their appropriateness to the functions fulfilled.
- 7.2 There are no further additional legal implications arising from the recommendations within this report.

(Approved by Sandra Herbert Head of Litigation and Corporate Law on behalf of the Director of Law and Governance and Deputy Monitoring Officer)

8. HUMAN RESOURCES IMPACT

- 8.1 There are no immediate human resource considerations arising from this report for LBC employees or staff.

(Approved by: Gillian Bevan, Head of HR, Resources)

9. EQUALITIES IMPACT

9.1 An initial screening equalities impact assessment has been completed for the Anti-fraud and Corruption Policy. No further action was found to be necessary.

10. ENVIRONMENTAL IMPACT

10.1 There are no further considerations in this area.

11. CRIME AND DISORDER REDUCTION IMPACT

11.1 There are no further considerations in this area.

CONTACT OFFICER: David Hogan (Head of Anti-Fraud) ext.63327

APPENDICES: None

Agenda Item 8

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 11 July 2019
SUBJECT:	Corporate Risk Register
LEAD OFFICER:	Lisa Taylor, Director of Finance, Investment & Risk and Interim Section 151 Officer
CABINET MEMBER	Councillor Simon Hall, Cabinet Member for Finance & Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: <p>This report presents the corporate risk register as at 11 July 2019 as part of the General Purposes and Audit Committee's role of overseeing the risk management framework and receiving assurance that significant corporate (Red) risks are identified and mitigated by the organisation. This process will ensure that the risk management function will continue to contribute to the achievement of the Council's vision, key priorities and objectives.</p> <p>In line with the Council's commitment to openness and transparency, the corporate risk report will appear in Part A of the agenda unless there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).</p>	
FINANCIAL SUMMARY: No additional direct financial implications.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1.1 RECOMMENDATIONS

The Committee is asked to:

Note the contents of the corporate risk register as at 11 July 2019

2. EXECUTIVE SUMMARY

- 2.1 The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at 11 July 2019.

3. DETAIL

Risk Register Report

- 3.1 The register presented details all the current corporate risks rated at a total risk score of 20 and above (Red Risks).
- 3.2 The following risk(s) have been escalated since the report was last considered by Members.
- **FIR0021: Funding levels provided through the Government Grant are significantly lower than forecast or anticipated, resulting in severe limitations being placed on the Council's Medium Term Financial Strategy.**
The risk was formulated and entered onto the corporate risk register as the continuing uncertainty surrounding the government grant settlement is impacting the Council's medium term financial strategy planning. It was deemed appropriate to score the risk at the highest rating on the corporate risk score matrix due to the severity of the impact on the Council's ability to deliver its services with the settlement provided by central government. All active lobbying to the Home Office has so far not yielded an improvement or positive result for the Council on the level of grant awarded.
- 3.3 There have not been any risk(s) de-escalated since the report was last considered by Members.
- 3.4 In line with the Council's commitment to openness and transparency, the register will appear with the corporate risk report in Part A of the agenda unless, in accordance with the Access to Information Procedure Rules in the Council's Constitution there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).
- 3.5 It should be noted that some of the grounds for exemption from public access are absolute. However, for others such as that in para.3, 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)', deciding in which part of the agenda they will appear, is subject to the further test of whether, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

4. FINANCIAL CONSIDERATIONS

- 4.1 There are no additional financial considerations arising from this report.

(Approved by Lisa Taylor – Director of Finance, Investment & Risk and Interim S151 Officer)

5. COMMENTS OF THE MONITORING OFFICER

- 5.1 The Director of Law and Governance comments that there are no additional legal considerations arising out of the recommendation in this report.

(Approved by: Sean Murphy, Director of Law and Governance and Deputy Monitoring Officer)

6. HUMAN RESOURCES IMPACT

- 6.1 There are no additional Human Resources implications arising from this report.

(Approved by: Sue Moorman, Director of HR)

7. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

- 7.1 None

8. RISK ASSESSMENT

- 8.1 No further risk issues other than those detailed in the report.

- 8.2 The corporate Risk Management Team (RMT) incorporates a '**horizon scan**' strategy in respect of the risk management activities undertaken as part of the Council's Risk Management Framework.

- 8.3 The horizon scan strategy is implemented through the distillation of cross – organisational & external professional networks maintained by the RMT. This strategy incorporates a multi-faceted approach including:

- Intelligence sharing (especially in respect of significant events / incidents) with other local authorities such as the Local Government Association;
- Collaborative working particularly the London Boroughs network, London Councils and the Greater London Authority;
- Research conducted via professional and generic media mechanisms for example The Association of Local Authority Risk Managers, CIPFA;
- Regular attendance at DMT's / DLT's on a quarterly basis;
- Participation in the relevant 'working group' activities / projects for example major systems implementation such as Oracle Cloud, or policy/legislative change implementation such as IR35 compliance; and
- The ability to 'add value' and strategic direction and guidance is an integral aspect of the risk management consultancy available to senior officers.

9. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

9.1 Information contained in the Council’s Risk register or held in relation to the Council’s risk management procedures may be accessible under the Freedom of Information Act subject to the application of any relevant exemptions, such as commercial sensitivity and whether disclosure was in the ‘public interest’.

CONTACT OFFICER: Malcolm Davies,
Head of Risk & Corporate Programme Office
Ext 50005

BACKGROUND DOCUMENTS: Appendix 1 Corporate Risk Register

Corporate Risk Register

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EHCS0001 Pendry, Nick	<p>The number of unaccompanied asylum seeking children looked after by Croydon remains significantly higher than the national average. LB Croydon plays a key role in supporting the National Transfer Scheme, a voluntary arrangement between local authorities to disperse and settle children and young people across the UK. This scheme has not had the anticipated success. The Pan London Protocol is in operation. London authorities have co-operated over many years to support each other (although primarily Croydon) by voluntarily taking new presentations of 16 and 17 year old UASCs on a rota basis with an agreed threshold of 0.07%. Those authorities that have been above the 0.07% threshold have come off the rota. They do come back on when young people become 18 and they fall back beneath the threshold. However, the numbers have risen in the past year and the capacity has reduced across London. One authority has recently removed themselves from the rota.</p> <p>On the basis of the average number moved through the rota last year and the new capacity, we calculate it is very possible that the Rota will be full within the next few weeks. Croydon would then be responsible for all new presentations to Lunar House as a locally based service.</p> <ul style="list-style-type: none"> - This would mean an average additional intake of 38 young people per month (based on Jan-Dec 2018 figures). - This is on top of the under 16s already accommodated by Croydon who are made subject to the NTS . - The number of UASC in Croydon's care is likely to rise significantly with a direct impact on Croydon's services generally 	<ul style="list-style-type: none"> - Significant service and staff resources pressures, with pressures on placement supply in-house and in the independent sector, and pressures on school places and LAC health services. - Impact on Council revenue budgets as a result of insufficient funding, especially as the Home Office have failed to increase the funding rates for 19/20. - NTS continues to fail (transfer scheme). - Funding deficit of £10.6m in 2018/19. 	Henderson, Robert Children Families & Education Services	<p>Continued work with the Association of London Directors of Children's Services and the Department for Education and Home Office to collectively support the National Transfer Scheme and the work of the Pan London Protocol.</p> <p>Continued work with the Home Office to ensure that only appropriate young people are placed.</p> <p>Emphasis on wider negotiation of fair funding arrangements for Croydon.</p> <p>Establishment of a new Age Assessment Team, supported by the Controlling Migration Fund to fast track all age disputed cases.</p> <p>Financial implication / impact for 2019/20 financial year on going scoping of financial risk / impact for each quarter.</p> <p>Implementation of the National Transfer Scheme.</p> <p>Increased use of the rota to place young people in other boroughs.</p>	5	5	25	<p>Further engagement with Home office and Association of Directors of Children Social Services.</p> <p>LBC working with London Council's and the LGA to raise awareness of the specific UASC pressures facing 'Port of Entry' locations (such as Lunar House). This is with the view to lobbying for increased funding.</p> <p>Ongoing work to ensure compliance and ensure opportunities are utilised through a formal system for dispersing unaccompanied child migrants as introduced by central government.</p>	5	4	20

Risk Scenario						Current			Future Risk Rating		
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
	<p>and Children's services in particular and further budget pressures resulting.</p> <p>- The relevant parts of the Immigration Act have not been enacted by Central Government.</p> <p>(Risk reviewed at DMT 23/05/2019).</p>			<p>LBC negotiated with other London Borough's to increase their UASC scheme to 0.08%, which is providing some short term relief.</p> <p>Leader formally written to Immigration Minister (30/05/2019) to request urgent review of the daily rates for UASC LB Croydon receives (no increase for 2 years). Response recieved 27/06/2019 confirming that no additional funding will be provided.</p> <p>The Council has held meetings with the Immigration Minister and others in Home Office. Ongoing correspondence, conversations and clarifications with Home Office taking place, but response is very slow.</p>							

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
FIR0021 Taylor, Lisa	<p>Funding levels provided through the Government Grant are significantly lower than forecast or anticipated, resulting in severe limitations being placed on the Council's Medium Term Financial Strategy.</p> <p>**There is great uncertainty in relation to the level of funding beyond 2020. Medium Term Financial Planning is taking place against a background of significant funding cuts for local government alongside government plans for major local government finance reforms and this uncertainty is making planning very difficult to manage**.</p> <p>(Risk generated by Interim S151 Officer 27/06/2019).</p>	<ul style="list-style-type: none"> - Service disruptions. - Key manifesto / corporate objectives not achieved. - Resident dissatisfaction. - Media and political scrutiny. - Legal challenge and associated consequences. - Little time to strategically plan. 	Harris-Baker, Jacqueline Resources Department / Corporate	<ul style="list-style-type: none"> a. - Continuous monitoring / scrutiny of all budgets and commitments. b. Continuing approach to organisational efficiency including smart commissioning & procurement strategies, targeted approach to early intervention and prevention strategies (children's and adult's social care / Gateway Strategy) and exploitation of opportunities for working in collaboration with our partners. c. Diversification of organisational operating portfolio's (incl. asset investment / revenue generation opportunities). d. Continued maintenance of general reserve at current levels, with an ambition to increase the minimum level of reserves to 5% of the net revenue budget to cover any major unforeseen expenditure. e. Continued lobbying with Home Office on several occasions for fair funding. 	5	5	25	<ul style="list-style-type: none"> a. - Strategies being developed to promote and stimulate new growth opportunities. b. Continued focus / investigation into effective approaches to managing demand. c. Continued strategic approach to identifying efficiencies and savings through changes to the way the Council works e.g. exploiting new technology, consolidation of buildings and processes. d. Identification of new ways to strengthen the long term financial position through increasing income sources. e. Refresh of MTFS over summer / autumn 2019 to develop projects to balance the budget for 2020/21. 	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ASC0001 McPartland, Annette	<p>Social Care market supply disruption leading to market failure and inability to fulfil statutory requirements.</p> <p>**Situation nationally has deteriorated so likelihood is very high. Market failure has become more common, increased by 82% nationally**.</p> <p>Risk is jointly owned with Commissioning & Procurement.</p> <p>(Risk reviewed and accepted at DMT 16/05/2019 and DLT 18/06/2019).</p>	<ul style="list-style-type: none"> - Reduction in choice. - Failure to meet service user needs. - Delayed discharge from hospital. - Increase budget pressure. - Reduced quality of provision. - Increase in safeguarding concerns. - Increase number of providers within the provider concerns process. - Increases in delays or overpayments to providers. - Increase pressure on all internal services. 	Van Dichele, Guy Health, Wellbeing & Adult Services	<ul style="list-style-type: none"> a. 2017/18 internal audit findings completed & implemented. b. Brokerage and Placements Quality Assurance. c. Inflation strategy in place to manage fees paid. d. Integrated Framework Agreement extension. e. Pan London provider concern's process managed by safeguarding team. f. Market management by Contract monitoring team. g. ADASS Pan London minimum standards programme adopted. h. One Croydon Alliance Commissioning strategy ongoing implementation. i. Right Cost of Care exercise by KPMG. j. Croydon Dynamic Purchasing and e-market system commissioned September 2018. 	5	4	20	<ul style="list-style-type: none"> a. A joint micro commissioning and market management process for all Alliance partners. b. Refreshed Market position statement. c. Restructured contract & market management function with increased number of monitors. d. Bring Services 'in-house' where appropriate. (enhance on case by case basis / review and ensure compatability) e. Creation of more 'Supported Living' capacity. f. PFI Homes Project to be reviewed. g. Reablement in South of borough - Review ability for provision within area. h. Special sheltered housing review / investigation. 	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EHSC0007 Pendry, Nick	<p>Dependency of Children's Services on interim resources. This includes the challenges of recruiting (particularly in Care Planning & Assessment Team) coupled with significant capacity and resourcing pressures and the impact of service reorganisations resulting in a lack of stable, high performing workforce.</p> <p>42% vacancy level (13/06/2019) – this includes a significant adjustment to the establishment for financial year 2019/20 which is ensuring lower and manageable caseloads . Permanent recruitment of management roles (i.e. team manager and service manager) is having success with permanent appointments.</p> <p>**It must be noted that the vacancy rate is increasing as the size of the teams have increased since Ofsted inspection in order to reduce caseloads and other pressures on Social Work staff.** The reduction of caseloads and the injection of branding 'Croydon as a social care employer'.</p> <p>This is linked to risk ref: EHSC0012</p> <p>(Risk reviewed and amended 13/06/2019).</p>	<p>- Managers and staff working excessive hours / holding excessive caseloads..</p> <p>- Loss of key members of staff and inability to recruit and retain good quality candidates for vacant posts and reduce reliance on agency personnel.</p> <p>- Poor decision making, performance and inability to deliver service transformation.</p>	Henderson, Robert Children Families & Education Services	<p>Exit interview process has been reviewed and structured to incorporate Director involvement and the ability to identify crucial management information / data to mitigate high attrition rates.</p> <p>Further progress has been made in the conversion of locums to permanent staff - as at 28 June 2019, 23 locum staff had converted to permanently employed status.</p> <p>During the period 01/06/2018 to 31/05/2019 a total of 92 external staff were permanently recruited (of which 46 were social Workers).</p> <p>New co-hort of newly qualified Social Workers commenced May 2019.</p>	5	4	20	<p>Implement recruitment and retention policy: implementation of the recruitment & retention policy is underway which includes learning and development career pathways, retention payment for Social Workers in hard to fill teams with payment in 2 instalments. There is a strategic approach to recruitment & retention which including benchmarking against other Local authorities, analysing exit interview data as well as monitoring sickness absence and 1:1 supervisions.</p> <p>Newly qualified cohort (15 Social Worker's) joining October 2019.</p> <p>Reviewing benchmarking and 'welcome payment' for Care Planning & Assessment Teams.</p> <p>Work with HR to promote more strategic approach to recruitment Croydon experience significant difficulties recruiting and competing in London</p>	5	3	15

Risk Scenario		Current			Future Risk Rating						
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				Recruiting to vacancies: a detailed monthly analysis is identified by a workforce report. Recruitment campaigns are targeted to teams which identify unfilled vacancies and agency workers. Roles are advertised via Community Care which has a readership of social care professionals. In addition Croydon is holding a series of 'Excellence in Practice' recruitment seminars. – latest event held 29/03/2019.							

Risk Scenario				Current			Future Risk Rating				
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
EHCS0010 Pendry, Nick	<p>Exploitation of young people in the Borough particularly in relation to peer on peer and gang activities and children missing from home and care.</p> <p>**It is recognised that the enforcement notice (and subsequent implications) issued by Information Commissioners Office towards the Metropolitan Police Service in respect of data sharing / gangs matrix is significant in its implications on the Services ability to deliver protection strategies etc.**</p> <p>(Risk reviewed and amended 21/06/2019).</p>	<p>- Children feeling and being unsafe/becoming victims or perpetrators of crime.</p> <p>- Significant risk of harm to young people in the Borough through exploitation (sexual and criminal), being missing and/or trafficked or caught up in crime</p> <p>- Risk of harm to Croydon children placed away from Croydon without prevention, disruption and protection activity.</p>	Henderson, Robert Children Families & Education Services	<p>a. The Public Health Approach to Reducing Violence which provides the framework to deliver the council's commitment to reducing violence, including serious youth violence and knife crime, in the borough was adopted on the 10th June 2019.</p> <p>b. Partnership working with the police and other agencies</p> <p>c. Strategy meetings for children who are missing, Child Exploitation risk assessment and risk reduction plans, with risk management meetings introduced, MACE as strategic oversight (multi agency child exploitation panel).</p> <p>d. Focused work with our schools around gangs and County Lines.</p> <p>e. Investment in a data analyst to understand the underlying issues and themes emerging so targeted preventative working can be developed. Analyst liaises with police and gangs analysts.</p> <p>f. Investment made in expanding the team to complete return home interviews.</p>	5	4	20	<p>a. Greater awareness and robust actions by all partners.</p> <p>b. Robust and reliable data as well as children's feedback to be analysed on a regular basis (to include: increase in Return Home Interviews, less repeat missing children, realistic National Referral Mechanism (NRM) referral rate, realistic number of children tracked at risk of criminal and sexual exploitation and risks reducing).</p> <p>c. The Violence Reduction Network is taking a fundamentally different approach where all partners work together with communities to drive down violence and by preventing violence before it happens by focusing on the causes, as well as the impact of the offences. The plans include the development of trauma-based training for staff, the community and voluntary sectors, to enable people to identify and understand adverse childhood and adult experiences and ensure those who experience them are properly supported.</p>	5	3	15

Risk Scenario		Current			Future Risk Rating						
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				<p>g. Much improved single performance and data report available now.</p> <p>h. Adolescent Support Teams who work on statutory basis with adolescents where there is a risk outside of the home. Adolescent Services within Children's Social Care incorporate the Gangs Team, Youth Offending and Child Exploitation Team, along with two statutory social care teams for adolescents.</p> <p>i. Choose Life campaign.</p> <p>j. Panels have been realigned and Complex Adolescents Panel began on 5th June 2019 so children are only discussed in one forum. This will report into the Vulnerable Adolescent Workstream.</p>				<p>d. Work with other local authorities to reduce placements of vulnerable children in Croydon.</p> <p>e. Working with the Head of Service responsible for Community Safety to review overall strategy</p> <p>f. Implementation of the 'Glasgow Public Health' approach to managing violence.</p> <p>g. The mayors violence reduction unit expected to deliver further targeted services in this area.</p>			

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EHSC0012 Pendry, Nick	<p>The pace of change to achieve the improvement plan outcomes and the journey to a rating of 'Good' is too slow or not achieved, following the OFSTED inspection of 'Services for children in need of help and protection and children looked after and care leavers' which judged the Council's Children's Services as 'inadequate'.</p> <p>(Risk reviewed and amended by KC 13/06/2019).</p>	<ul style="list-style-type: none"> - Reputational damage, which has a severe impact on the Council's ability to recruit and retain high quality, skilled staff - Children and young people at risk of significant and serious harm, because children in need of help and protection and children looked after by the Local Authority do not have sufficiently robust care plans and services to meet their needs and keep them safe. - Financial cost of implementing wide ranging changes - Increased referrals to children's social care from across partners, leading to unacceptably high workloads, poor service and associated financial pressures. - Media scrutiny. - Political scrutiny and activity. 	Henderson, Robert Children Families & Education Services	<p>Additional investment of £12m during 2019/20 in the base budget has resourced business support, learning and development and performance management, which create the conditions for good social work to flourish.</p> <p>Steady improvements in KPIs as reported to the Improvement Board indicate that the service improvement work is gaining traction, although the pace needs to speed up.</p> <p>Substantial engagement with staff has taken place across the whole department to plan and implement a locality working model across CFE, taking a risk-based approach to ensure this contributes to better services and improved outcomes for children.</p> <p>Sustained focus on recruitment and retention has led to the recruitment of five permanent service managers from good and outstanding authorities, reduced staff churn and seen staff returning to work in Croydon.</p>	5	4	20	<p>Following the systemic practice training strengthened relationships will be built across children's services and schools, early years and voluntary sector providers to keep the journey of the child at the centre. Early help will continue to provide robust, effective support for families, expanding the offer so more cases step down from statutory services.</p> <p>Further develop locality based working as part of the transformation, bringing more services together around families and communities to make sure families get the right services at the right time.</p> <p>Further refine and implement transformation proposals that seek to shift resources to earlier help and prevention and so reduce the demand for costly, intrusive statutory services.</p>	5	3	15

Risk Scenario		Current			Future Risk Rating						
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				<p>Systemic leadership training for all managers has started with CSLT and will be mandatory for all service and team managers to ensure all have the skills, knowledge and ability to provide high support and high challenge to staff to achieve the best outcomes for children and families.</p> <p>The Executive Director Children, Families and Education and Director of Early Help and Children's Social Care have analysed and evaluated the divisions strengths and weaknesses and translated these into a coherent set of sequenced priorities for action.</p>							

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EYE0003 Davies, Shelley	<p>As at the end of Qtr 4 (2018/19), there are 9 of our 50 maintained schools in deficit potentially leading to default or an increase in arrears. The total deficit amounts to £3.7m however two of the schools are in a loan arrangement with the LA.</p> <p>**It is noted that approximately 2/3's of the £3.7m deficit is attributable to two schools**.</p> <p>(Risk reviewed and amended at DMT 14/05/2019).</p>	- Financial loss to LBC.	Henderson, Robert Children Families & Education Services	<p>Deficit schools are required to report financial outturn monthly.</p> <p>Regular update meetings with the Governing Body's / SLT's of schools with the highest levels of debt.</p> <p>Schools are met with by senior finance and education officers to discuss their deficit and their action plan for setting a balanced budget in the future.</p> <p>Schools are requested to set a licence deficit plan – this includes a 3 year budget plan as to how the school will return to a balanced position.</p> <p>We have input into the school's 3 year business plan to shape repayment terms and included a formal letter of agreement. Termly finance meetings for all maintained schools sharing best practice etc.</p>	4	5	20	<p>More enhanced benchmarking using tools currently under development with the DfE.</p> <p>The LA is using its statutory powers to investigate installing an Interim Executive Board (IEB). Powers are limited in terms of financial benefit to the LA but could steer the school towards a form of collaboration with another education body.</p>	4	5	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EYE0009 Davies, Shelley	<p>Increasing population with complex learning needs and parental expectations leads to rising demand and financial pressure on SEN fixed budgets including pressure on High Needs DSG budget.</p> <p>**There is currently a £4.5m budget pressure and a cumulative £13m deficit on the high needs DSG budget**.</p> <p>(Risk reviewed and amended at DMT 14/05/2019).</p>	<p>- Children and families do not receive the advice and support they would expect.</p> <p>- Increased costs due to tribunals and complaints leading to reduced reputation.</p> <p>- Inability to achieve outcomes for children and families in Croydon.</p>	Henderson, Robert Children Families & Education Services	<p>Continue to use Council Members / MP's to lobby Central Government for a review of the model that funds higher needs to reflect the actual demand for Croydon.</p> <p>Further senior management review of existing plans.</p> <p>High Needs Funding Review planned.</p> <p>Implement strategies for managing demand for more effective mainstream school placements.</p> <p>Implementation of SL DPS to reduce placement costs.</p> <p>Improved forecasting and reporting of demand led spend to manage overall budget position.</p> <p>Improved projections for school places.</p> <p>Modelling of Locality Based Working & Staged Approach supporting mainstream schools meeting SEN needs.</p> <p>New SEN strategy 2019 / 22 present to cabinet March 2019 following consultation. Plans to improve impact of service and measure to mitigate against cost.</p>	5	4	20	<p>0-25 SEND Strategy Implementation Plan to deliver change across the system – in five areas below. The SEND Strategy implementation plan Governance is through SEND Working Group; which reports into Children & Families Partnership Board.</p> <p>Early Identification and Intervention –improved HV assessment, identify needs, work with families early. Support for EY education providers, personalised inclusion funding until the end of EY Foundation Stage.</p> <p>Free School due to open (September 2020) that will relieve pressure in spend in non-mainstream sector.</p> <p>Graduated response – right support, right time. Meeting needs locally in local schools at SEN Support level; reduced reliance on alternative education.</p>	5	2	10

Risk Scenario			Current			Future Risk Rating					
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				Provision of more Post 16 specialist placements in borough by Sept 2019 with a further 244 school placements to come on stream by Sept 2020.				<p>Joint Working – children’s needs are met locally in Croydon (cost avoidance in inm sector), through co-ordinated and coherent pathways which are achieved through collaborative work with parents and YP; across education, health and care.</p> <p>Post 16 pathway development so that there are effective local education, care and health pathways to adulthood, and EHC Plans are caesed in timely way (currently 40% HNB spend is post 16).</p> <p>Recovery plan being drafted to be presented to DfE.</p> <p>South London Partnership SEN Commissioning Programme for commissioning residential and day placements for children and young people with Special Education Needs.</p> <p>Workforce development – practitioners have the skills and knowledge to meet needs locally. Parents are confident.</p>			

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
FIR0018 Taylor, Lisa	<p>The 2019/20 budget is not managed within allocated resources resulting in an overspend and therefore the need to implement additional cuts to services. In year funding reductions are imposed whilst the Council experiences a continuous rising demand for service provision and growth in population. The continuing improvement of Children's Services following the OFSTED inspection (June / July 2017) has required greater investment in this service with over £10m having been invested in Children's Services during 2018/19. A further £12m investment has been allocated in the 2019/20 budget.</p> <p>2018/19 year-endoverspend was £5.466m. This includes costs relating to UASC, which the Home Office are still not engaging with Croydon to resolve.</p> <p>(Risk entry reviewed and updated by Interim S151 Officer 27/06/2019)..</p>	<p>- Insufficient resources may lead to inability to meet needs and political aspirations. Potential inability to meet statutory responsibilities in times of increasing demand through changing demographics, for example mental health services, older people's services, children's services and housing.</p> <p>- Damage to reputation and service risk.</p> <p>- Reduction in resources.</p> <p>- Erosion of reserves.</p> <p>- Risk of failure to balance Budget and failure to maintain capital investment strategy in infrastructure (Strategic objective alignment: Enabling).</p> <p>- 2019/20 Q1 monitoring at end of June 2019 will provide indication of any potential forecast overspend. Action will need to be taken immediately to manage.</p>	Harris-Baker, Jacqueline Resources Department / Corporate	<p>a. Corporate Plan aligned to MTFS to ensure priorities align with resources</p> <p>b. MTFS 2018/22 presented to cabinet (September 2018), setting out future budget requirements.</p> <p>c. Quarterly financial monitoring with additional controls in respect of Adult and Children Social care, where the high risk areas are monitored monthly.</p> <p>d. Regular monitoring of all reserves including Transformation Projects for both service delivery and financial savings.</p> <p>e. Immediate response to national consultations / questionnaires in conjunction with continued lobbying of central government.</p> <p>f. Implementation of the Localities Project to deliver savings.</p> <p>g. Continued implementation of the Children's Improvement Plan.</p>	5	4	20	<p>a. Continue to implement all Savings & Transformation projects to ensure delivery.</p> <p>b. Refresh the MTFS to balance the 2020/21 budget and identify at an early stage projects and programmes to do this working closely with CLT / ELT and Cabinet to achieve this.</p> <p>c. Focus on preventative measures and early intervention particularly with identified top high cost families, including the Localities Project model benefits (continuous review).</p> <p>d. Children's Social Care - continued implementation of The Improvement Plan.</p> <p>e. Adult Social Care - continued review of service delivery and review of all contracts.</p> <p>f. Regular review of all fees and charges.</p> <p>g. Continued active engagement in fair funding review.</p> <p>h. Continued Home Office lobbying for fair UASC funding.</p>	5	3	15

Risk Scenario		Current			Future Risk Rating						
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				h. SEN Transport - Continued development of the service operating model to drive efficiencies. This includes the continued use of independent travel. i. Development of a 5 year financial model to continue to manage SEN Transport costs. j. Continued delivery of Gateway & Family Link Service.							

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
RCS0018 Harris-Baker, Jacqueline	<p>The Council's ability to deliver services (including all statutory requirements) are adversely / critically affected following the departure from the European Union by the United Kingdom.</p> <p>The United Kingdom's EU referendum (23/06/2016) resulted in the decision for the UK to exit membership from the EU. Article 50 (Treaty of Lisbon) was triggered by the UK Government on 29/03/2017 formalising the process for exit negotiations for the UK with the remaining EU member countries. On 10/04/2019 the 27 remaining EU member countries granted the UK an extension until 31/10/2019 within which time the UK is to formalise and ratify an agreement on the terms of the UK's departure.</p> <p>**This risk is closely monitored in terms of impact however the outcome of the parliamentary process / details of the UK exit conditions cannot be determined at an organisational level. The Council will continue to react to the issues arising as a result of the status of the ongoing negotiations**.</p> <p>(Risk entry updated 19/06/2019).</p>	<p>- Uncertainties about the residency rights of current EU citizens in Croydon could cause community tensions and heightened tensions.</p> <p>- Wider uncertainties about the UK's economy and trade arrangements could potentially impact development plans and inward investment that are vital for the borough's regeneration.</p> <p>- The Council has received funding for a number of initiatives from the EU with some of these part way through delivery. There is uncertainty about future funding and the availability of funds projects.</p> <p>- The UK Economic performance will impact local authority budgets and grants. Currently there are unknowns about whether further grant cuts will be imposed and how Croydon's budget may be affected.</p> <p>- Croydon's business rates income could be impacted by any loss of confidence in investment in the UK economy.</p> <p>- A 'No-deal' Brexit has a high likelihood of causing disruption to supply chain with delays and additional processes at ports in the UK and EU. This may cause shortages in supplies, including critical areas such as medicines, food and fuel.</p>	Harris-Baker, Jacqueline Resources Department / Corporate	<p>A report has been provided to Cabinet outlining the various implications and actions arising from a No Deal Brexit.</p> <p>An SRO has been appointed and has established a multi-service Brexit Working Group to coordinate the Council's response. This includes the sharing of information / intel, identification of risks and impact, scenario planning, communications and a corporate action plan. This work is being coordinated with partners.</p> <p>Cabinet have endorsed a statement to say that Croydon values and welcomes EU citizens and is open for business and plans are in place to safeguard our growth.</p> <p>Croydon Council Brexit group established and active and engaging with London Councils</p> <p>Croydon is working together with its partners to be vigilant to identify any hate crime and take vigorous action against perpetrators.</p>	5	4	20	<p>In respect of EU regulations, the Council will monitor legislative and regulatory changes and respond in the appropriate time and keep abreast of responses by providers in EU markets.</p> <p>London Councils has called for the Mayor and London boroughs to work closely together to sustain growth and the success of London post referendum and explore the opportunities presented by devolution of powers and finance.</p> <p>The Council will continue to monitor pension fund investments, consider options and viability as volatility levels and markets change</p> <p>The Council will continue working with developers and investors to encourage and enable suitable projects within the borough</p>	5	3	15

Risk Scenario			Current			Future Risk Rating					
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				<p>Exec Director of Resources & Head of Policy and Partnerships met with Home Office 12/06/2019: - Contacts made regarding Business Continuity & security arrangements, - Clarification and further information provided in relation to EU settlement scheme. - Feedback provided to Home Office in relation to LAC challenges and general awareness / communications.</p> <p>In respect of the Council's Pension Fund, Croydon is assessing the risk of the investment environment having changed, checking whether the investment vehicles will work after the UK leaves the EU, assessing how the Council can access more attractive regions and investment opportunities, monitoring changes for the investment regulations for the LGPS and reviewing the Treasury Management policy and the level of risk the Council is prepared to accept in view of the UK's credit rating.</p>							

Risk Scenario					Current				Future Risk Rating		
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				<p>The Council is working together with it's partners to be vigilant to identify any hate crime and take vigorous action against perpetrators.</p> <p>We are contributing to Regional Communications Structure through London Council's.</p>							

REPORT TO:	GENERAL PURPOSE AND AUDIT COMMITTEE 11 JULY 2019
SUBJECT:	SCHEME OF MEMBERS' ALLOWANCES 2019/20
LEAD OFFICER:	Sean Murphy, Director of Law and Governance
CABINET MEMBER:	Simon Hall, Cabinet Member for Finance and Resources
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:	
The Committee is required by statute to review, publicise and maintain a Scheme of Allowances for its elected Members.	
FINANCIAL IMPACT	
The financial implications arising from the recommendations contained in this report will result in a 2% increase in the costs of Members' Allowances in 2019/20. This equates to £31,500.	

1. RECOMMENDATIONS

Full Council has delegated to the Committee (Minute reference 22/17) the authority to make the decisions set out in the recommendations below:

- 1.1. To agree an amendment to the current Members' Allowance Scheme to provide for an increase in allowances in line with the annual local government staff pay settlement of 2% and therefore approve the revised Allowances for Members or 2019/20 as set out in Appendix A to this report.
- 1.2. To authorise the Director of Law and Governance to comply with the on-going annual publicity of the Members' Scheme of Allowances, which is required, and subject to Members' approval of recommendation 1.1 of this report, the approval of the revised Members' Allowance Scheme as detailed in this report.

2. EXECUTIVE SUMMARY

- 2.1 The committee is asked to consider an annual increase of Members' allowances of 2%, which is keeping with the annual local government staff pay settlement for 2019/2020.

3. BACKGROUND

- 3.1 In accordance with the Local Government Act 2000 and Local Authorities (Members' Allowances) (England) Regulations 2003, Local Authorities are required to undertake a formal independent review of the level of allowances for

their Members at least once every four years. In London, provision has been made for this review to be undertaken by an Independent Remuneration Panel (IRP) set up on behalf of all Boroughs by London Councils.

- 3.2 Before the authority makes or amends a scheme, the authority shall have regard to the recommendations made in relation to it by the IRP.
- 3.3 In relation to an inflationary uplift, the IRP in their 2018 report, which was considered at and is detailed fully in the July 2018 report to Full Council, which can be accessed here:

<https://www.londoncouncils.gov.uk/who-we-are/about-us/financialinformation/leadership-and-expenses/remuneration-councillors-london>

The IRP recommended that the allowances they had recommended for adoption by London Local Authorities should be updated annually in accordance with the headline figure in the annual local government pay settlement. The IRP report confirmed that it was necessary for any such annual updating to be formally authorised by the council each year.

- 3.4 The scheme of Members' Allowances was reviewed and amended by Full Council in July 2018 having due regard to the provisions of the IRP report. At that meeting, Council delegated to the General Audit and Purpose Committee authority to agree an annual adjustment of allowances by reference to the annual local government staff pay settlement where the only change made to the scheme in any year is that effected by such annual adjustment.
- 3.5 The annual staff pay settlement for 2019/2020 is 2% and the Committee is asked to agree an equivalent uplift in Members' Allowances as detailed in Appendix A. The total cost of this increase is £31,500.
- 3.6 The Local Authorities (Members' allowances) (England) Regulations 2003 ("the 2003 regulations") provide detailed statutory requirements in relation to publicity in relation to the making or amending of any Scheme of Allowances.
- 3.7 It is therefore also recommended that the Director of Law and Governance be authorised to comply with the on-going annual publicity of the Members' Scheme of Allowances, which is required, and subject to Members' approval of recommendations of this report, the approval of the revised allowances as set out in Appendix A.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 4.1 The cost of implementing this proposed 2% increase in Members' allowances for 2019/20 is £31,500. This increase in costs will be contained within existing revenue budgets.

(Approved by: Lisa Taylor, Director of Finance, Investment and Risk)

5. LEGAL CONSIDERATIONS

- 5.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the proposed Members' Allowance Scheme is required to comply with the relevant provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003; the Local Government and Housing Act 1989 and the Local Government Act 2000. In addition, there are separate provisions, namely sections 3 and 5 of the Local Government Act 1972 for the payment of allowances to the Mayor and the Deputy Mayor which Croydon has traditionally referenced as part of its Members' allowance scheme.
- 5.2 In particular Regulation 19 of the 2003 Regulations provides that the Council must have regard to the recommendations of the IRP before making or amending a Scheme of Allowances for its members. Regulations 16 and 22 set out the detailed publicity requirements both in relation to any making or amendment of a Scheme and the IRP report.

(Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer)

6. HUMAN RESOURCES IMPACT

There are no HR issues arising from this report given that Members are not employees.

The recommendation to increase Members' allowances is in line with the local government staff pay settlement as outlined.

(Approved by: Gillian Bevan, Head of HR, Resources, on behalf of the Director of Human Resources)

CONTACT OFFICER: Michelle Ossei-Gerning
Democratic Service Officer
Ext.84246

APPENDIX: Appendix A: Schedule of current and proposed allowances

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Councillors' Basic and Special Responsibility Allowances Current and proposed

		£ CURRENT	£ PROPOSED
Basic Allowance	All Members	11463	11692
	Mayor's Allowance	19485	19875
	Deputy Mayor's Allowance	9743	9938
Special Responsibility Allowances	Paid in addition to Basic Allowance		
	Leader of the Council	44083	44965
	Deputy Leader Statutory	37197	37941
	Deputy Leader	36335	37062
	Cabinet Members	33705	34379
	Deputy Cabinet Members	10132	10335
	Non-Acting Cabinet Member	20223	20627
	Chair - Scrutiny and Overview Committee	30335	30942
	Deputy Chair - Scrutiny and Overview Committee	10522	10732
	Majority Group Secretary	10132	10335
	Majority Chief Whip	14854	15151
	Chair - General Purposes & Audit Committee	10106	10308
	Chair - Licensing Committee	10106	10308
	Chair - Planning Committee	16207	16531
	Chair- Health and Well Being Board	33705	34379
	Member of Adoption Panel	4514	4604
	Chair - Pension Committee	9029	9210

APPENDIX A

	Largest Minority Group		
	Leader of the Opposition	22005	22445
	Deputy Leader(s)	9216	9400
	Shadow Cabinet Members	6881	7019
	Chief Whip	6881	7019
	Group Secretary	6747	6882
	Vice Chair - Scrutiny and Overview Committee	10522	10732