General Purposes & Audit Committee

Annual Report 2020/21

Foreword

It is my pleasure to bring to Full Council this annual report of the General Purposes and Audit Committee for 2020/2021. The report highlights the important work of the committee over the last year and I would like to thank the officers and auditors for all their input and advice. A special thank you to Simon Maddocks who has been consistent in advising and supporting me through my new vision for GPAC.

During the course of the year the council's external auditor issued a Report In the Public Interest (RIPI) and the council's Section 151 Officer issued two successive S114 notices to ensure only essential spend. These reports have changed the focus for a number of areas that GPAC is responsible for. In addition, the COVID-19 pandemic is still very much present.

An action plan to address the recommendations raised in the RIPI was developed and GPAC had the opportunity to review this in great depth. A series of recommendations were made by the committee to enhance the action plan and these, along with recommendations from the Scrutiny and Overview committee, were accepted by Cabinet and have been incorporated into the plan. GPAC will receive updates on progress with implementation and will have the opportunity to question officers.

In addition, GPAC has reintroduced the practice of conducting in depth sessions on key areas of risk, with relevant senior officers and cabinet members presenting and answering questions. The first of these was at the February meeting. To properly handle its significantly expanded workload the committee has moved from a cycle of 4 meetings per year to at least 10, with further additional meetings being added where necessary to properly address key issues before it.

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

Finally, I would like thank the committee members for their knowledge of the agenda, relevant questions and support to myself and my Vice Chair Cllr Stephen Mann. I would like to thank Stephen for his support during the year.

Cllr Karen Jewitt - General Purposes & Audit Committee Chair

Introduction

1. The General Purposes & Audit Committee (the Committee) has a wide ranging brief that underpins the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including audit, anti-fraud and the financial reporting frameworks. It also deals with a limited number of matters not reserved to the Council or delegated to another Committee and related to a non-executive function. The Committee was formed in 2014, replacing the former Corporate Services Committee and the Audit Advisory Committee.

2. This report details the work of the Committee during 2020/21, outlining the progress in:
    o   Internal Control;
    o   Risk management;
    o   Internal Audit;
    o   Anti-fraud;
    o   External Audit;
    o   Financial reporting

3. Table 1 details the Committee Members during 2020/21. Members have a wide range of skills and bring both technical and professional experience to the role.

Table 1: Members of the General Purposes & Audit Committee 2020/21

Member	Role
Councillor Karen Jewitt	Chair
Councillor Stephen Mann	Vice-Chair
Councillor Jamie Audsley	Member
Councillor Jan Buttinger	Member
Councillor Mary Croos	Member
Councillor Steve Hollands	Member
Councillor Bernadette Khan	Member
Councillor Stuart Millson	Member
Councillor Tim Pollard	Member
Councillor Joy Prince	Member
Mr Muffaddal Kapasi	Non-Elected, non-voting Independent Member
Mr James Smith	Non-Elected, non-voting Independent Member

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

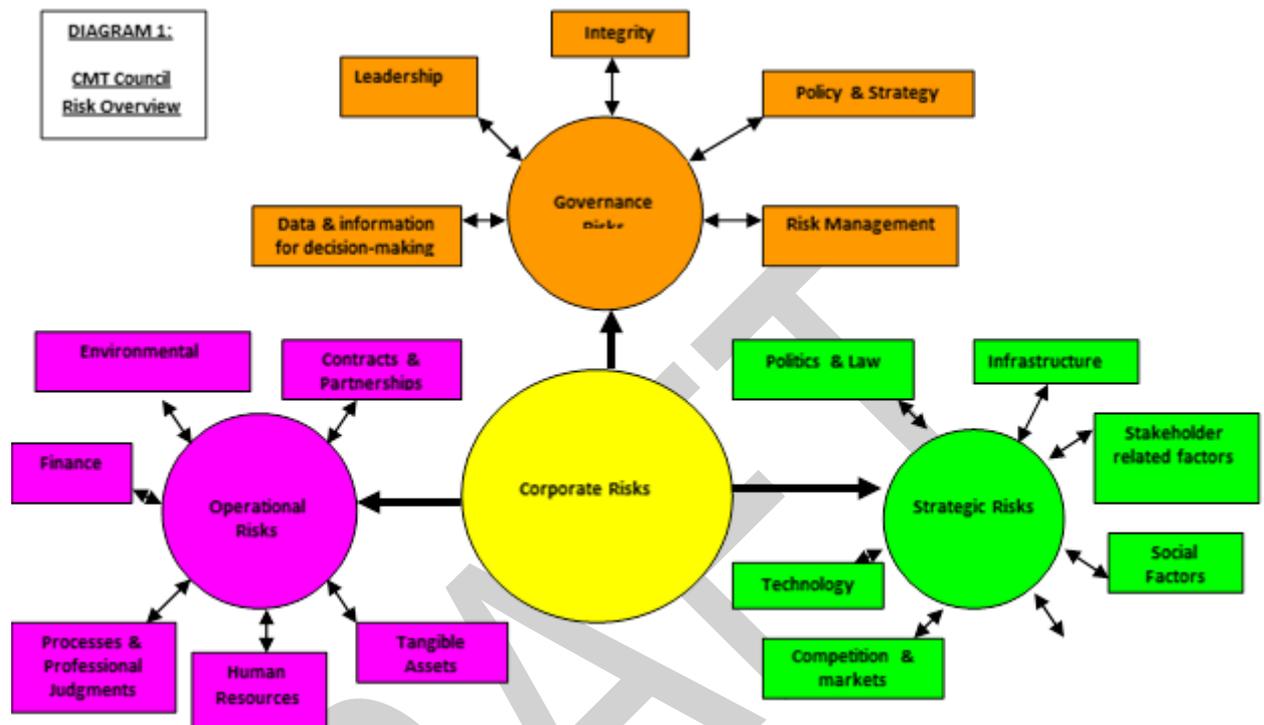5. This report details the work of the Committee in 2020/21.

Internal Control

6. A pivotal role of the Committee is its work in developing the Council's internal control and assurance processes culminating in the Annual Governance Statement (AGS). The Accounts and Audit Regulations 2015 require the Council to review the effectiveness of its systems of internal control and publish the AGS each year alongside the financial statements. The information for the AGS is generated through the Council's Assurance framework (Appendix 1) including:

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

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

8. To support its understanding of issues relating to internal control and to emphasise its commitment to a robust internal control environment, the committee invites officers to attend its meetings to give briefings in relation to strategic risks and what is being done to mitigate them. It also invites officers to give explanations where significant issues are identified through internal audits.

Risk Management

9. The Council has a formal risk management framework embedded that is modelled on best practice activities operated within all local authorities and other public sector organisations. This framework sets out the requirements and responsibilities for the management of risk for all employees and includes activities such as a quarterly review and reporting process for the Executive Leadership Team (ELT) and Department Leadership Teams (DLT) as well as to the Council's Governance Board. Risk reporting is delivered to every General Purposes & Audit Committee meeting either corporate rated 'red' risks or a 'deep dive' process on a specific identified 'high rated' risk. The

Council's key strategic risks are identified, recorded and reviewed continuously via the risk team to ensure integration between the risk management framework and the strategic, financial and performance management frameworks using the reporting framework detailed in Diagram 1.

DIAGRAM 1:

CMT Council Risk Overview

Integrity

Leadership

Policy & Strategy

Data & information for decision-making

Governance Risks

Risk Management

Environmental

Contracts & Partnerships

Politics & Law

Infrastructure

Finance

Operational Risks

Corporate Risks

Strategic Risks

Stakeholder related factors

Processes & Professional Judgments

Human Resources

Tangible Assets

Technology
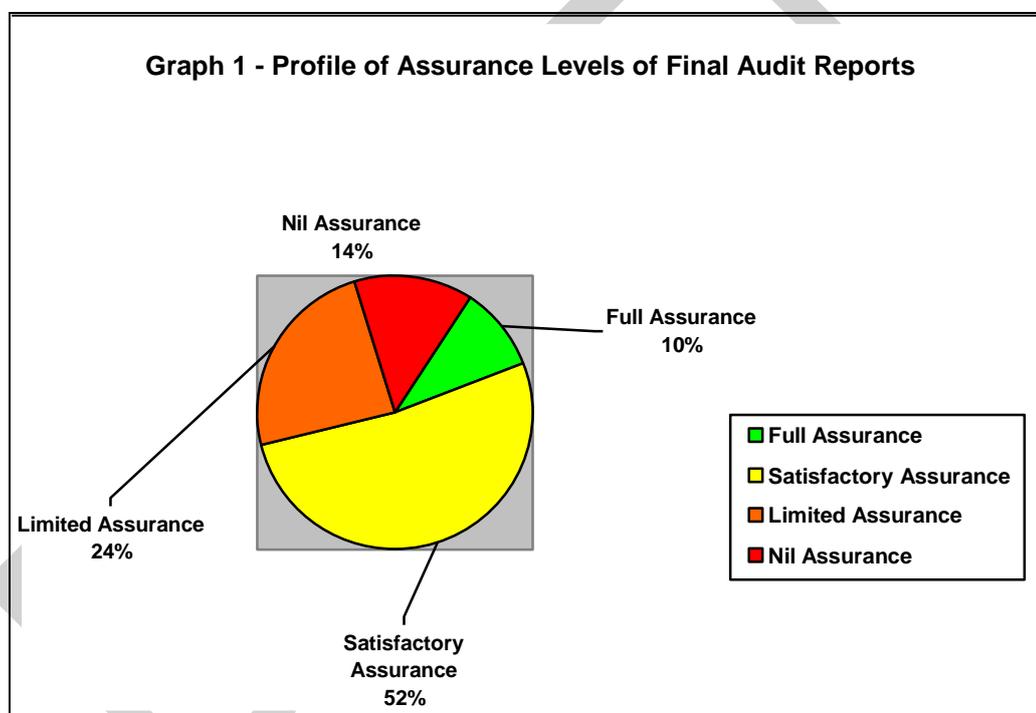
Competition & markets

Social Factors

(Appendix 2 Definitions)

10. General Purposes & Audit Committee Members by reviewing the current 'high rated' risks and conducting 'in-depth' reviews of risks seek to scrutinise and receive assurance on the application of the risk management framework in the organisation.

11. The content of all the risks recorded on the corporate risk register is reviewed at least quarterly by a facilitated risk review and challenge session.

12. The Council's risk management framework is also promoted with project sponsors to help manage the challenges associated with the delivery of programmes and projects.

13. Internal Audit has view-only access to the corporate risk register to assist its risk-based audit approach, ensuring it is dealing with the most up to date information. Following audit reviews, the resultant report is mapped against the identified risk on the risk register. This approach gives a considered view of how the Council is managing the challenges it faces in delivering its objectives. Collaboration between the Internal Audit Team and the Risk Team is continuous and consistent.

Internal Audit

14. The work of the Council's internal audit service is delivered in partnership with Mazars Public Sector Internal Audit Limited. The current contract began on 1st April 2018 and will end on 31st March 2024 with the possibility of extending for a further two years.

15. The alignment of the audit programme to the Council risk management framework has focused internal audit on the key challenges the Council faces and therefore, the issues that if not managed, could lead to strategic objectives not being achieved.

16. Graph 1 shows that at the time of writing 61% of finalised audits have full or satisfactory assurance compared to 50% for the same period last year.

Graph 1 - Profile of Assurance Levels of Final Audit Reports

Nil Assurance
14%

Full Assurance
10%

Limited Assurance
24%

Satisfactory
Assurance
52%

- Full Assurance
- Satisfactory Assurance
- Limited Assurance
- Nil Assurance

17. Although the results of formal audits completed so far are encouraging and much work has been done across the organisation since the Report in the Public Interest was issued by the External Auditor and last years Limited Assurance by Internal Audit, other indicators are suggesting that internal control still has some way to go. It is still possible that this year's internal audit assurance level may again be limited. These other indicators include, inter alia, the continuous auditing results and general support issues identified above, several organisation wide audit reports that are still draft but are currently unsatisfactory, and the several external reports published during the year identifying issues with internal control, governance and good practice.

18. A key measure of the Internal Audit service's effectiveness is the implementation of agreed actions to address the issues identified in audits. The target for implementation of actions is 80% for priority 2 and 3 actions and 90% for priority 1 actions. The stringent approach to the follow up process has continued with tight timescales for follow up work linked to the level of assurance.

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

Table 2: Implementation of Agreed Actions to date

	Target	2015/16	2016/17	2017/18	2018/19	2019/20
Percentage of priority one agreed actions implemented at the time of the follow up audit	90%	100%	98%	100%	92%	91%
Percentage of all agreed actions implemented at the time of the follow up audit	80%	94%	93%	91%	87%	90%

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

Table 3: Internal Audit Performance 2020/21 year

Performance Objective	Annual Target	Actual Performance YTD	RAG
% of planned 2020/21 audit days delivered	100%	**61%**	R
% of 2020/21 planned draft reports issued	100%	**25%**	R
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	**88%**	G
% of qualified staff engaged on audit	40%	**35%**	A

21. The planned internal audit has not been completed on time this year. The delays this year have been caused by a number of factors, principle of which was the furloughing of our audit contractor's staff for around three months at the start of the year because of the COVID-19 pandemic and lack of capacity within the organisation to catch-up as the year has progressed.

Anti-Fraud

22. The Council has continued with its plan to improve counter-fraud awareness across the Council and to strengthen working with our partners. This has included:

- Assisting neighbouring boroughs by providing expertise in the form of staff resources where they have gaps in expertise and generating income for Croydon Council.
- Maintaining a learning and development programme, including face to face and e-learning opportunities.
- Maintaining fraud reporting facilities, including a fraud hotline and dedicated email reporting facility.

23. As a result of this work, high and improved levels of awareness of fraud have been achieved generally across the organisation over recent years. This has been evidenced by the level of referrals to the Corporate Anti-Fraud Team which remains high, at 586 in 2020/21.

National Fraud Initiative (NFI)

24. The NFI is a biennial data matching exercise undertaken by the Cabinet Office. This is a national exercise and every Council in England and Wales participates, along with many other public sector bodies. The exercise has legal powers to undertake data-matching across the public sector to prevent fraud and corruption. The Council's participation in the 2020/21 has just commenced with focus on the high risk matches.

Corporate Anti-Fraud Team performance

25. Between 1st April 2020 and 28th February 2021 the Anti-Fraud team had identified in total over **£965k** with 115 successful outcomes.

26. Croydon continues to lead in setting the agenda relating to public sector anti-fraud activity. This is achieved nationally, regionally and locally by taking a leading role in a number of organisations, including:
- The National Anti-Fraud Network, with representation on the Executive Board
- London Audit Group, with representation on the Executive Board
- The Government Counter Fraud Profession, Croydon has jointly led the first cohort of local authority investigators converting from their existing professional standards into the new counter-fraud profession for the public sector.

External Audit

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

28. It should be noted that both the production of accounts, and external audit timescales were delayed for 2019/20 both as a result of COVID-19
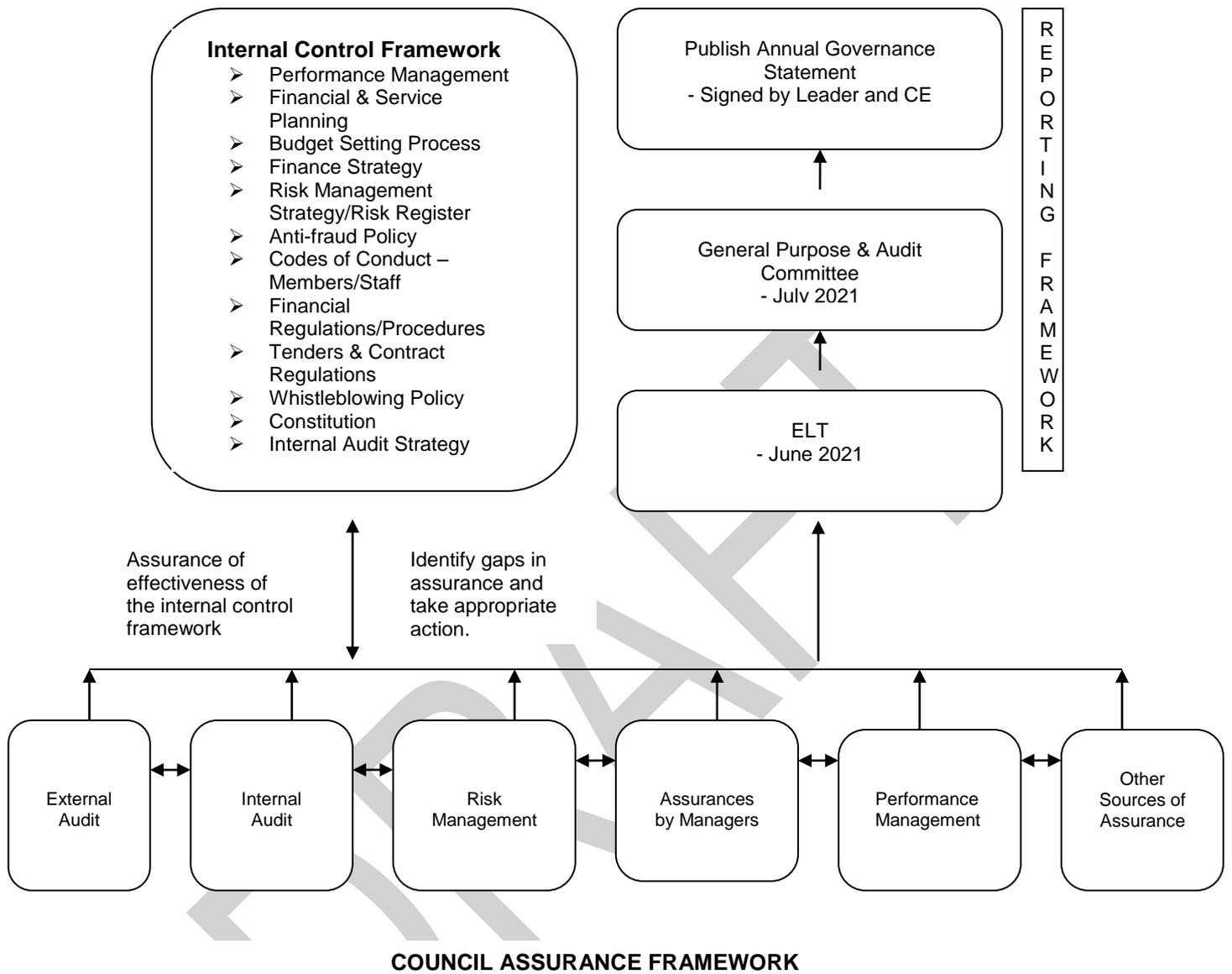
but also due to a number of detailed comments on the draft reports. There are a number of significant issues relating to the Council's activities in particular those relating to Brick by Brick which mean that the accounts were not completed by the Statutory deadline of 30th November 2020 and may take some time for this to be completed until all of these issues are resolved .

Financial Reporting

29. The 2020/21 accounts cannot be completed until the 2019/20 Audit is completed. Until the issues referred to in para 28 are resolved the timing for the audit of the 2020/21 accounts cannot be firmed up.

Council Framework for the Annual Governance Statement

Internal Control Framework
- Performance Management
- Financial & Service Planning
- Budget Setting Process
- Finance Strategy
- Risk Management Strategy/Risk Register
- Anti-fraud Policy
- Codes of Conduct – Members/Staff
- Financial Regulations/Procedures
- Tenders & Contract Regulations
- Whistleblowing Policy
- Constitution
- Internal Audit Strategy

Publish Annual Governance Statement
- Signed by Leader and CE

General Purpose & Audit Committee
- July 2021

ELT
- June 2021

R E P O R T I N G   F R A M E W O R K

Assurance of effectiveness of the internal control framework

Identify gaps in assurance and take appropriate action.

External Audit	Internal Audit	Risk Management	Assurances by Managers	Performance Management	Other Sources of Assurance

COUNCIL ASSURANCE FRAMEWORK

- Annual plan - Reports to those charged with governance - Scrutiny of report at General Purposes & Audit Committee - Audit opinion - Ad hoc projects	- Head of Internal Audit's opinion expressed in reports to General Purposes & Audit Committee - Operates under dedicated contract specifically setting out terms of reference - Annual plans, member reviewed - Plan aligned to Council 's Risk-register - Fraud investigation - Compliance testing - Review of the effectivess of Internal Audit	- On-going Risk management training for new staff - Embedded in project management and service planning - RM champion, General Purposes & Audit Committee and Council scrutiny of the RM processes and outcomes - RM software package cascaded throughout council to all risk owners - Strategic risks drive and shape the CLT agenda - Review of partnerships	- Directors assurance statements - Project specific reports to CLT and Members	- Embedded system - Operates throughout organisation - Internal & external reviews - Action orientated - local KPI's - Periodic progress reports - Performance Management function - Scrutiny Function	- Fraud reports and investigations - Reports by inspectors - Post implementation reviews of projects - Working party reports - Ombudsman reports - Contracts & Commissioning Board - Strategic Finance Forum - Corporate Programme Board - Fraud & Enforcement Forum

Categories of Risk

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

OPERATIONAL (internal drivers)	Finance	Associated with accounting and reporting, internal financial delegation and control, failure to prioritise or allocate budgets. Insufficient resources or lack of investment.
	Human Resources	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, reliance on consultants, employment policies, health & safety, and absence rates. Migration of staff to contact centre.
	Contracts & Partnerships	Failure of contractors to deliver services or products to the agreed cost & specification. Issue surrounding working with agencies. Procurement, contract and relationship management. Overall partnership arrangements, eg for pooled budgets or community safety. PFI, LSVT and regeneration. Quality issues.
	Tangible Assets	Inadequate building/assets. Security of land and buildings, safety of plant and equipment, control of IT hardware. Issue of relocation.
	Environmental	Relating to pollution, noise or the energy efficiency of ongoing operations.
	Processes & professional judgements	Errors and omissions associated with professional judgement. Inspection compliance, project management, performance management, benefits system, environmental management system (EMS). Not achieving targets, failure to implement agendas and service failure. Also risks inherent in professional work.

GOVERNANCE	Integrity	Fraud and corruption, accountability and openness, legality of actions and transactions and limits of authority.
	Leadership	Reputation, publicity, authority, democratic renewal, trust and identity.
	Policy & strategy	Ensuring clarity of purpose and communication. Policy planning, community planning and monitoring and managing overall performance. Not seeking or following advice from the centre.
	Data & information for decision making	Data protection, data reliability and data processing. Information and communication quality. Effective use and interpretation of information. Control of data and information. E-government and service delivery. Inappropriate and/or lack of software. Storage issues.
	Risk Management	Incident reporting and investigation, risk measurement, evaluation and monitoring. Internal Control and Business Continuity Issues.