

General Purposes and Audit Committee

Annual Report 2021/22

Foreword

It is my pleasure to present this annual report for the General Purposes and Audit Committee for 2021/2022 to Full Council.

This report highlights the work of the Committee over the last year as provided within the Committee's 'Terms of Reference and Scope of Work'. It also includes a brief forward look into the year ahead on the Committee's work and developments.

I would like to thank the officers, external auditors, cabinet members, other committee chairs, professional advisers, and of course, members of the General Purposes and Audit Committee for their input and support to the work of the Committee. I also thank the former Chair of the Committee, now Vice Chair, Cllr Karen Jewitt, for chairing this committee prior to my appointment in October 2021 and for her support after I took up my post.

It has been another eventful year with the publication of a second Report in the Public Interest (RIPI2) by the external auditors at a time of ongoing work by the Committee, following the first Report in the Public Interest, to strengthen its work in providing independent assurance on the Council's internal control, governance risk management, internal audit, anti-fraud, external audit, and financial reporting.

Some of the actions taken included a review of the Committee's terms of reference and the recruitment of an independent chair for the General Purposes and Audit Committee, which led to my appointment. Other future and ongoing actions to strengthen the Committee and its work are also outlined in this report, including development activities for Committee members, development of an assurance map, strengthened relationship with the Council and other Committees, introduction of an action tracker for decisions and key issues, and greater use of benchmarking, peer and best practice reviews.

It is clear that we are on a journey of improvement and transformation, which may take some time to manifest in improved outcomes for the people of Croydon. Whilst we acknowledge the challenges of the past, we embrace the ongoing quick wins and pursue greater outcomes for the Council and its residents.

The Committee intends to spend some time to review its work plan for 2022/2023 to ensure that it remains robust and effective in providing independent assurance across all areas within its terms of reference, as outlined in the next few pages of this report.

Once again, I thank my colleagues on the Committee, the Council's Chief Executive and her team, and all members of the Council for their support to the work of the Committee during the year.

Dr Olu Olasode PhD APSA FCCA
Independent Chair
General Purposes and Audit Committee

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 2021-22, outlining the progress in:
 - o Internal Control;
 - o Governance;
 - o Risk management;
 - o Internal Audit;
 - o Anti-fraud;
 - o External Audit;
 - o Financial reporting
3. This report also looks forward to 2022-23 and highlights some of the changes and improvements planned.
4. Members of GPAC have a wide range of skills and bring both technical and professional experience to the role. Table 1 details the Committee Members for 2021-22.

Table 1: Members of the General Purposes & Audit Committee 2021-22

Role	Membership on 1 April 2021	Membership on 31 March 2022
Independent Chair	-	Dr Olu Olasode
Chair	Councillor Karen Jewitt	-
Vice-Chair	Councillor Stephen Mann	Councillor Karen Jewitt
Member	Councillor Chris Clark	Councillor Chris Clark
Member	Councillor Nina Degrads	Councillor Nina Degrads
Member		Councillor Clive Fraser
Member		Councillor Lynne Hale
Member		Councillor Ola Kolade

Member	Councillor Stuart Millson	Councillor Stuart Millson
Member		Councillor Ian Parker
Member	Councillor Joy Prince	Councillor Joy Prince
Member	Councillor Paul Scott	Councillor Paul Scott
Member	Councillor Jan Buttinger	
Member	Councillor Steve Hollands	
Member	Councillor Tim Pollard	
Reserve Members:	Councillors: Pat Clouder;; Sean Fitzsimons; Bernadette Khan; Clive Fraser; Andrew Pelling; Jason Cummings; Badsha Quadir; Ian Parker and Simon Hoar.	Councillors: Margaret Bird; Pat Clouder; Sean Fitzsimons; Bernadette Khan; Andrew Pelling; Kola Agboola; Jason Cummings; Badsha Quadir and Jeet Bains.

5. Full Council, at the meeting held on 11 October 2021, approved amendments to the constitution, which included enabling the creation of the role of an Independent Chair of General Purposes and Audit Committee (GPAC) and arrangements for appointment of the role (Article 8, Part 3, Part 4F). The Appointments Committee subsequently appointed Dr Olu Olasode to the role of Independent Chair, with Dr Olasode chairing his first meeting on 20 October 2021. Councillor Karen Jewitt, who had been the Chair of GPAC prior to this date, then assumed the position of Vice-Chair replacing Councillor Stephen Mann.
6. Other changes to the Committee during the year were as follows:
 - a. From the 16 September 2021 meeting: Councillors Hoar and Clancy replaced Pollard and Buttinger as Members of the Committee and Councillor Bains replaced Councillor Hoar as a reserve. Councillor Agboola was also appointed to the vacant reserve spot.
 - b. From the 16 February 2022 meeting: Councillors Fraser, Hale, Kolade and Parker replaced Councillors Mann, Hoar, Clancy and Hollands. Councillor Bird replaced Councillor Parker as a reserve.
7. On 22 November 2022 committee members attended a learning and development session. Led by the Local Government Association, the session was designed to address training requirements identified in the Report in the Public Interest, and included:
 - Roles and responsibilities of the Committee (and officers reporting to it)
 - Understanding the control system

- Risk management
- Appropriate challenge and escalation.

The work of the Committee in 2021-22

Internal Control

8. 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.
9. The Committee leads this review by receiving, at every meeting, reports on these service areas.
10. 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 these. It also invites officers to give explanations where significant issues are identified through internal audits.

Governance

11. Following the issue of a Report in the Public Interest (RIPI) concerning the Council's financial position and related governance arrangements by the Council's external auditor, Grant Thornton, on 23 October 2020, the Corporate Risk Register was amended to include two red risks relating to governance, which were worded as follows:
 - RCS0034 - Poor financial control and ineffective application of governance arrangements continues to lead to an unstable financial situation, including contract spend and pressures in our major partnership areas including the NHS.
 - RCS0037 - Further deterioration in Internal Control & Governance as a result of capacity, budget and resourcing constraints in the organisation.
12. The Council also identified the need to make a range of further improvements to governance, some of which responded to RIPI recommendations, as follows:

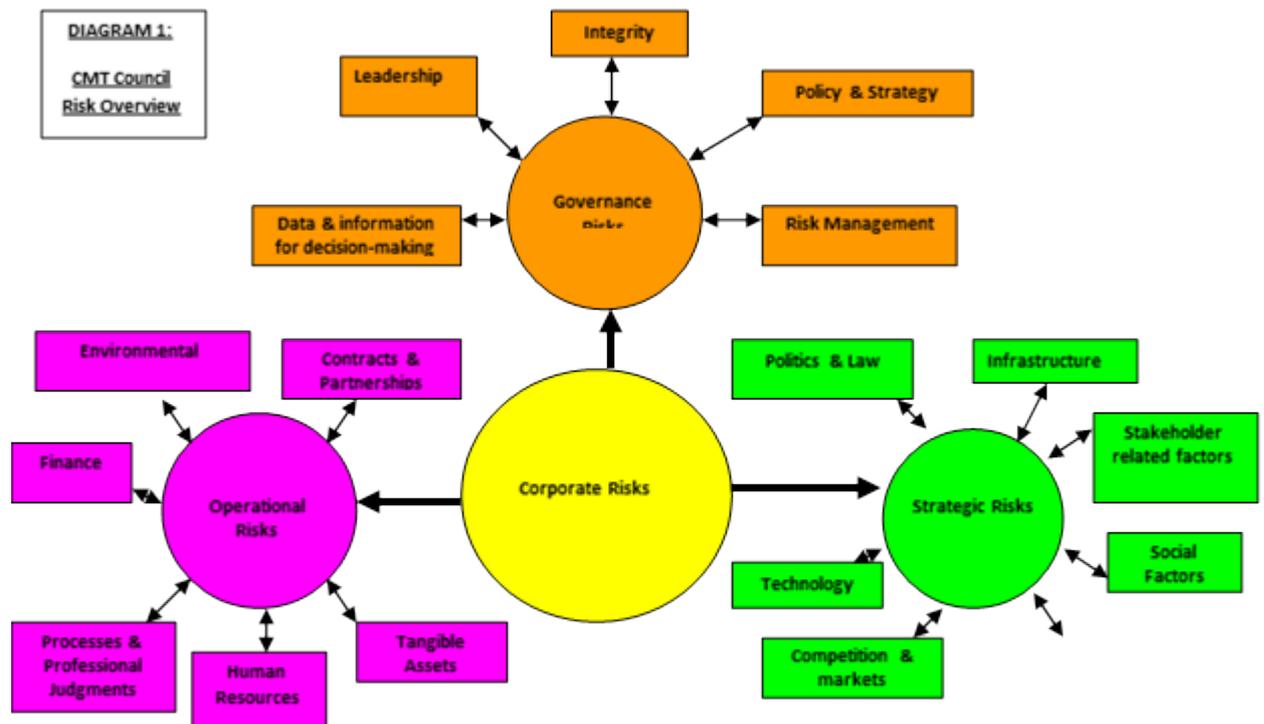
- To review and revise the Member Code of Conduct (completed October 2021 and mirrored in revisions to the Officer Code of Conduct)
 - To review and revise the Protocol on Staff-Councillor Relations (completed January 2022)
 - To draft an Access to Information Protocol for inclusion in the constitution (completed January 2022)
13. A Governance Improvement Adviser was provided at no cost to the Council (on secondment from the Local Government Association) to support this work. The drafts were reviewed by Ethics Committee prior to finalisation and presentation to the Committee as part of a package of constitutional changes.
 14. Following the issue of the second RIPI and the Council's acceptance of this at the extraordinary meeting of Council held on 3 February 2022, the Committee, at the meeting held on 3 March 2022, reviewed the action plan developed in response to the recommendations made. The Committee has requested to be updated on the progress of these actions.
 15. Further governance improvement work has included work to review and revise the Council's whistleblowing policy (completed March 2022: the Committee will be updated on this work in the new municipal year).
 16. Following the referendum in October 2021, revisions to the constitution were required in preparation for the mayoral model of governance. Led by a cross-party member working group, this work ensured that provisions for transparency and scrutiny were embedded in the new arrangements. The Committee considered the draft proposals in March 2022 prior to recommending these to Council.
 17. The process of reviewing and revising the Code of Governance and preparing the Annual Governance Statement led to the identification of a programme of further improvement work which was reviewed by the Committee: the implementation of this programme will be reported to the Committee ongoing.

Risk Management

18. The Council has a formal risk management framework 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 Corporate Management Team (CMT) and Department Management Teams (DMTs).
19. The Council's key strategic risks are identified, recorded and reviewed continuously to ensure integration between the risk management framework and the strategic, financial and performance management

frameworks using the reporting framework detailed in Diagram 1. Work to strengthen corporate risk management this year has included:

- a. CMT formally reviewing all red risks on a monthly basis.
- b. Every corporate risk owner, Director and Corporate Director being formally required to review and sign off their risks via the JACD corporate risk system on a quarterly basis with a formal audit trail to assure compliance.

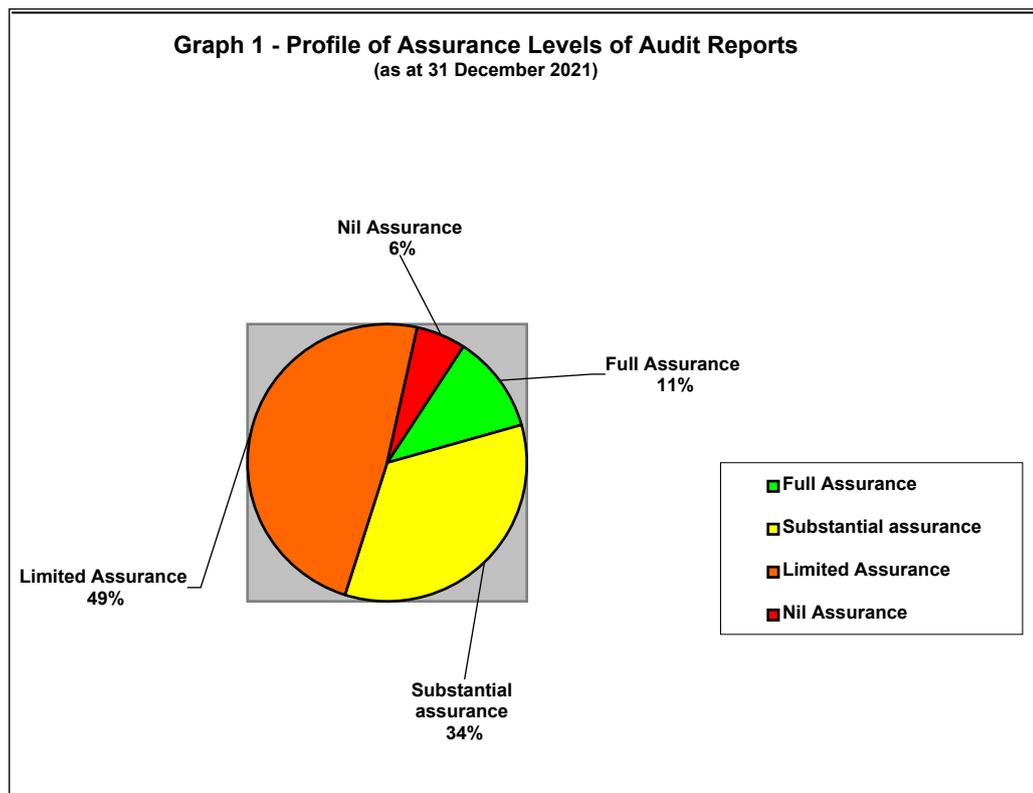


20. The Committee, at every meeting, received a report on either corporate rated 'red' risks or a 'deep dive' on a specific identified 'high rated' risk. Committee members by reviewing the current 'high rated' risks and conducting 'in-depth' reviews of risks have sought to scrutinise and receive assurance on the application of the risk management framework in the organisation. Examples of these 'deep dives' during the year included looking at Domestic Abuse and Sexual Violence (April 2021), an update on Oracle Security (June 2021), an update on the Dedicated Schools Grant (DSG) Management Plan (November 2021), the Whitgift Centre (January 2022) and the procurement, implementation and effectiveness of the CareCubed costing tool for working age adult and children's social care placements (February 2022).

Internal Audit

21. The Audit Charter, Audit Strategy and the Internal Audit Plan for 2020/21 were approved by the Committee on 4 March 2019.

22. During the year, the Committee received several reports from Internal Audit, updating them on Internal Audit progress against the plan and high-risk issues identified. This included Internal Audit's Annual Report for 2020/21 which provided an overall annual opinion of 'Limited' assurance and drew attention to those specific areas of weakness that should be carried forward into the Annual Governance Statement.
23. Internal Audit activity reports received by the Committee throughout the year continue to identify areas where control environment improvement is identified upon audit and graph 1 shows that, as per the last Internal Audit update report of results up to 31 December 2021, only 45% of audits had full or substantial assurance. This is a slight improvement on the previous year.



24. Although the decline in results of formal audits completed so far has slowed and much work has been done across the organisation since the Report in the Public Interest was issued by the External Auditor and the 2020-21 Limited Assurance in the Head of Internal Audit's Annual Report, other indicators are suggesting that internal control still has some way to go to be properly embedded and it is anticipated that the assurance in this year's Head of Internal Audit's Report will again be limited. These other indicators include, inter alia, the continuous auditing results and general support issues identified, 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.

25. 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.
26. The Committee has continued to emphasise the importance of implementing Internal Audit's recommendations and has supported Internal Audit in its work to ensure control weaknesses are effectively dealt with. The Committee has received regular updates on the status of outstanding recommendations, and where appropriate has requested further information.
27. Table 2 details the performance in this area in all follow up work completed since 1 April 2017 (up to 31 December 2021).

Table 2: Implementation of Agreed Actions to date

	Target	2017/18	2018/19	2019/20	2021/22
Percentage of priority one agreed actions implemented at the time of the follow up audit	90%	100%	94%	84%	58%
Percentage of all agreed actions implemented at the time of the follow up audit	80%	94%	92%	86%	69%

Anti-Fraud

28. As part of the Committee's role of overseeing the antifraud and corruption strategy, the refreshed Anti-Fraud & Corruption Strategy was approved at the 25 November 2021 meeting.
29. During the year the Committee received regular updates on the counter-fraud work undertaken by the Council's Anti-fraud team and noted the continued good results concerning proactive fraud identification and reactive investigation work, namely that between 1 April 2021 and 31 March 2022 the Anti-Fraud team had identified in total over **£1,055k** with 119 successful outcomes. Furthermore, that 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.
30. 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 300 in 2021-22.

External Audit

31. 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 (PSAA). GT works in partnership with the Council ensuring its governance processes are effective. GT are invited to all of the Committee meetings, where they provide regular updates.
32. 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 and Croydon Affordable Homes/Croydon Affordable Tenures, which mean that the accounts were not completed by the statutory deadline of 30 November 2020 and may take some time for this to be completed until all of these issues are resolved. The Committee has received individual reports on these individual issues.
33. The Committee, at the meeting held on 16 February 2022, approved that the external auditor for the Council and for the pension fund for the audit years 2023/2024 to 2027/2028 should be appointed by PSAA. This was ratified by full Council at the meeting held on 7 March 2022. The formal procurement process by the PSAA is already underway, with the objective of enabling all auditor appointments to be in place by 31 December 2022.

Financial Reporting

34. The 2020/21 accounts cannot be completed until the 2019/20 Audit is completed (refer to paragraph 31 above). This has resulted in the 2020/21 accounts not being completed by the statutory deadline of 30 November 2021 and therefore these have not yet been reported to Committee. Until the issues referred to in para 32 are resolved the timing for the audit of the 2021/22 accounts cannot be firmed up.
35. The Committee has received other financial reports, such as the update report on the Implementation of the Croydon Finance Review (April 2021), the Financial Performance report in October 2021 and a verbal update on the Council's Medium Term Financial Strategy (March 2022).

The year ahead

Continuing to Strengthen the audit function of the Committee

36. Constitutional changes proposed by the Committee and approved by Full Council in March 2022 include the separation of this Committee into two: Audit and Governance Committee and General Purposes Committee. Membership of the committees will be confirmed at the Annual Council meeting to be held on 25 May 2022. Terms of reference for the Audit and Governance Committee are based on a model provided by CIPFA.

37. Audit and Governance Committee members will attend a training session on the basics of the role of the Audit and Governance Committee on 1 June 2022 (delivered by the Local Government Association). Following this, a facilitated session is planned on assurance mapping, whereby the various sources of assurance provided to the Committee will be mapped to its terms of reference. This will help inform the Committee's forward plan.
38. The Committee also look to strengthen its relationships and working relationships within the Council, for instance with the Ethics and the Scrutiny Committees. A development session for members of Audit and Governance and Scrutiny Committees to support understanding of mutual roles will be held as part of the Member Induction programme.
39. The first Audit and Governance Committee meeting is scheduled for 9 June 2022, when the use of an 'actions tracker' will be fully implemented (after being discussed and developed during 2021/22) to help monitor the implementation of actions arising from each Committee meeting. This first meeting will also include some agenda items carried over from the pre-election period, such as the approval of the annual audit plan and the review of a risk area.
40. The quality review of the Internal Audit function will also be conducted during 2022/23, which will include the 5 yearly External Quality Assurance (EQA) check required by the Public Sector Internal Audit Standards (PSIAS).
41. It is also intended that the Committee continues to look externally, through the use of benchmarking, peer and best practice reviews to improve and keep abreast of new developments, which will feed into ongoing member development sessions.