

London Borough of Croydon Internal Audit Annual Report for the year ended 31 March 2021

[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.

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Please refer to the Statement of Responsibility on the last page of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

The purpose of this report is to contribute to the Head of Internal Audit annual reporting requirements set out in the UK Public Sector Internal Audit Standards (PSIAS). 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 (Council) in support of its Annual Governance Statement 2021 that is to be published with the statement of accounts for the year ended 31 March 2021.

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. The Council 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, the Council 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 the Council'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 Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. 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. In this context it should be noted that the external auditors on 23 October 2020 issued a Report in the Public Interest highlighted 'governance failings' and 'corporate blindness'.

Head of Internal Audit Annual Opinion Statement

The Head of Internal Audit Annual Opinion (Opinion) is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2020/21, including our assessment of the Council's corporate governance and risk management processes and information technology governance.

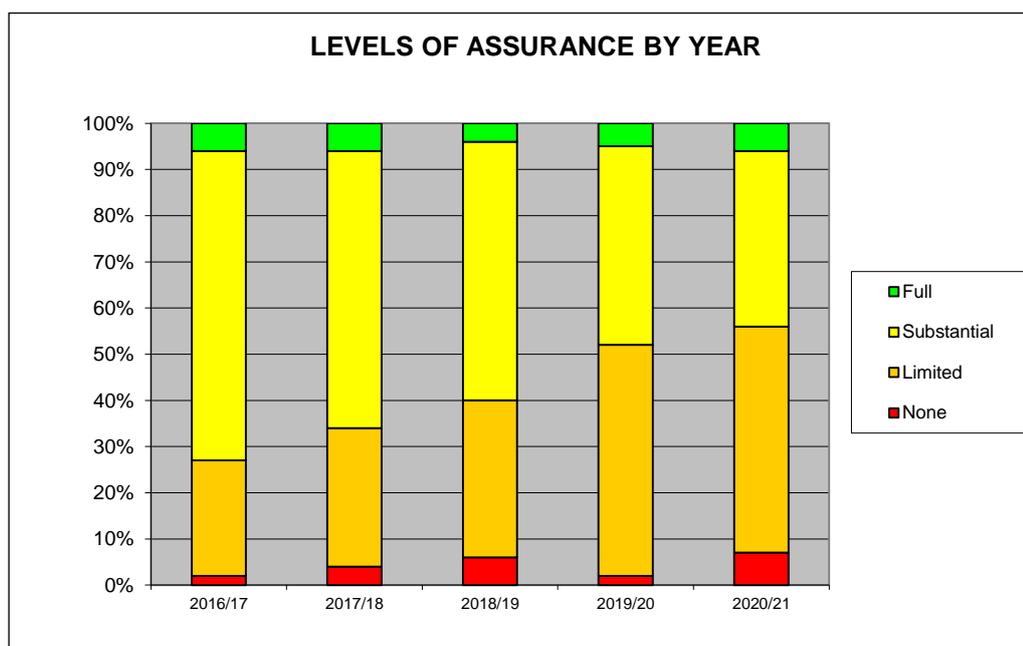
The internal audit plan for 2020/21 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

Basis of Assurance

We have conducted our audits both in accordance with the mandatory standards and good practice contained within PSIAS and additionally from our Internal Audit's 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..

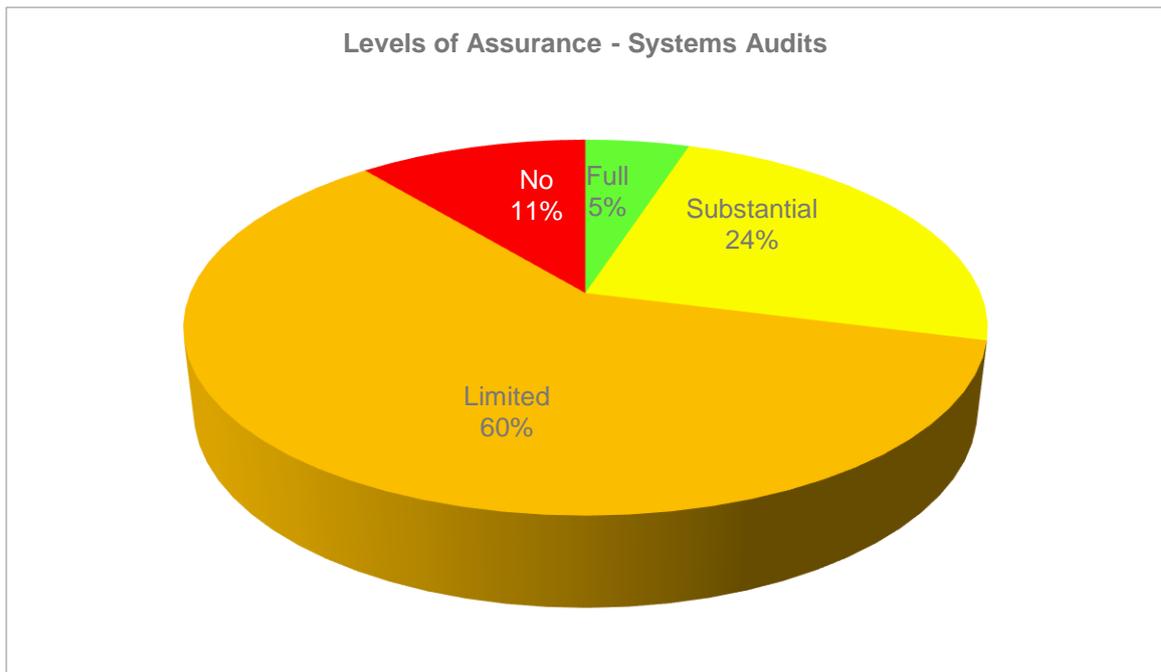
Graph 1 – Assurance Levels



	2016/17	2017/18	2018/19	2019/20	2020/21
Full Assurance	6%	6%	4%	5%	6%
Substantial Assurance	67%	60%	56%	43%	38%
Limited Assurance	25%	30%	34%	50%	49%
No Assurance	2%	4%	6%	2%	7%

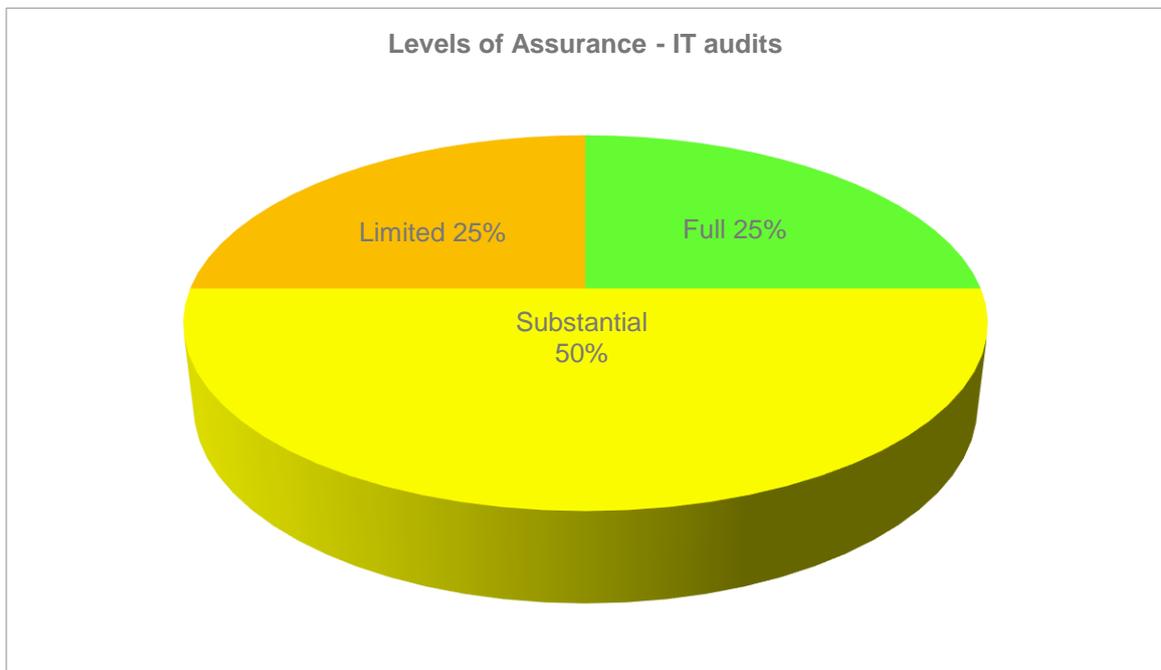
Graph 1 shows the percentage of final audit reports issued per level of assurance over the past five years. As can be seen there has been a steady year on year increase in the number of limited and no assurance audits since 2016/17. The number of limited and no assurance reports in 2020/21 was 56%. As detailed in subsequent graphs, the impact of a high percentage of full and substantial assurance opinions for school audits helped reduce the Council's overall percentage of limited and no assurance reports.

Graph 2 – Levels of Assurance – Systems Audits



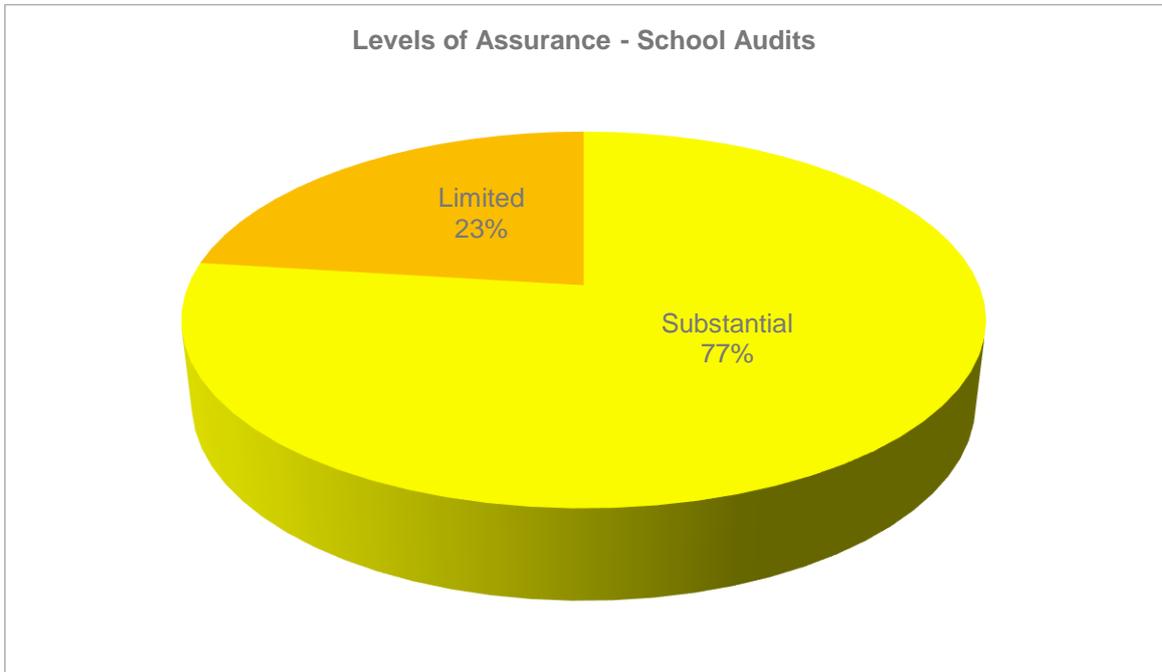
Graph 2 shows the percentage of final reports issued per level of assurance achieved on all the full systems audited. This shows that only 29% of the systems audited, including the core Council financial systems, achieved an assurance level of Substantial or Full. This is a significant decrease in performance on 2019/20 which was 48%.

Graph 3 – Levels of Assurance – IT Audits

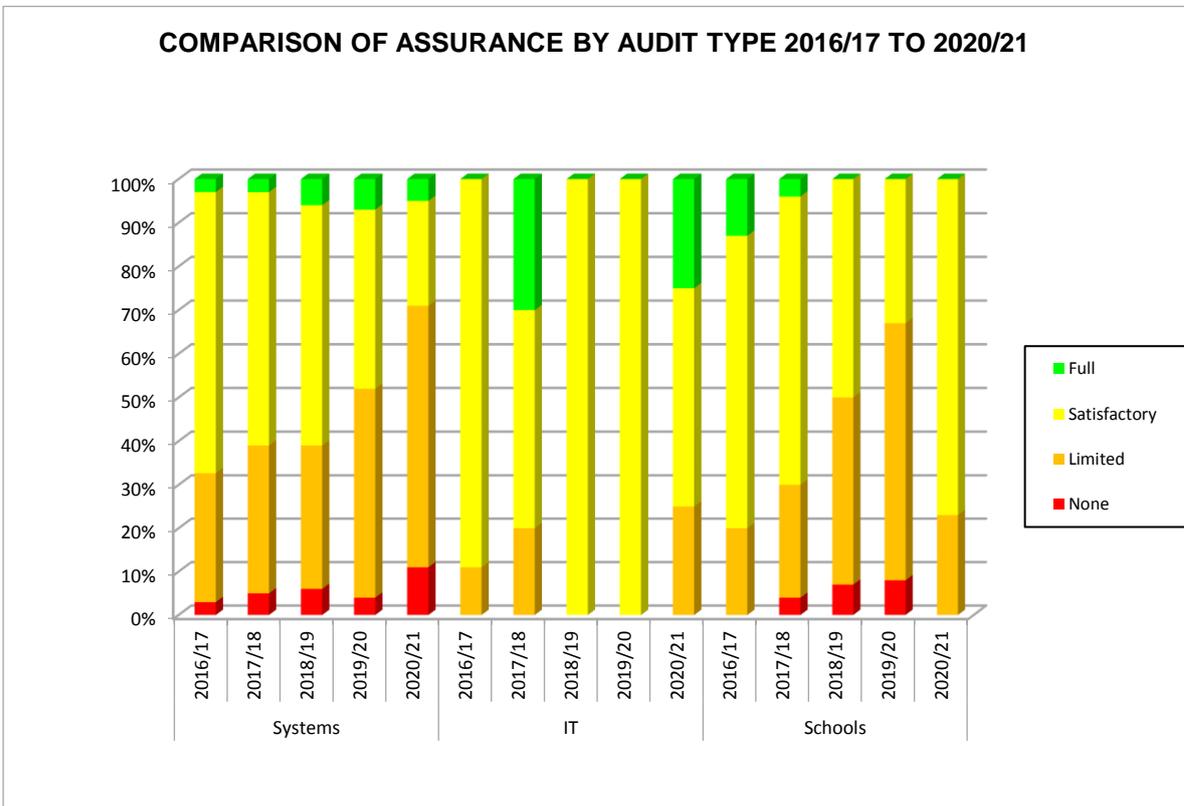


Graph 3 shows the percentage of final audit reports issued per level of assurance for the IT audit programme of work. This shows that 75% (of 4 audits) of the computer audits achieved an assurance level of Full or Substantial. This is a decrease in assurance on 2019/20 (2 audits) which was 100%.

Graph 4 – Levels of Assurance – School Audits



Graph 4 shows the results of the school’s audit programme. A total of 23% of all locations visited resulted in a Limited or No Assurance. This is a significant improvement on the performance in 2019/20 which was 67%. Whilst the number of schools audited is similar year on year, the work also resulted in fewer recommendations year on year.



2020/21 Year Opinion

Internal Control

From the Internal Audit work undertaken in 2020/21, it is our opinion that we can provide only **Limited Assurance** that the system of internal control that has been in place at London Borough of Croydon for the year ended 31 March 2021 accords with proper practice. Details of significant internal control issues are 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 results of the internal audit work performed during the year, where 56% of the overall audits undertaken were 'Limited' or 'No' assurance. From a systems audit sub-category, 71% of internal audits were 'Limited' or 'No' assurance.
- 'The 'Report in the Public Interest' by Grant Thornton dated 23 October 2020, which highlighted governance failings and corporate blindness.
- The 'Croydon Finance Review – Phase 1 Report' presented to the General Purposes and Audit Committee on 7 October 2020, which highlighted failings in financial planning, budget setting and budget monitoring.
- The Director of Finance, Investment & Risk (Section 151 Officer)'s positive review of the effectiveness of the internal audit function submitted to the General Purposes and Audit Committee on 7 October 2020.
- 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 PSIAS. This showed that the Council's Internal Audit service 'Generally Conforms to the standards'.

Corporate Governance

In our opinion the corporate governance framework does not comply with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- The 'Report in the Public Interest' by Grant Thornton dated 19 November 2020, which highlighted governance failings and corporate blindness, summarising that, '*The missed opportunities represent deficiencies in financial planning, financial management, risk assessment, communication between officers and Members and challenge from Members before approving the strategies and plans that have led the Council needing in-year external financial support. Action must be taken to restore the Council to a sound financial position supported by effective governance.*'
- The 'Croydon Finance Review – Phase 1 Report' presented to the General Purposes and Audit Committee on 7 October 2020, which detailed that, '*The council's financial governance is currently inadequate in relation to some areas of financial planning, budget setting and budget monitoring.*'
- Our annual audit plan of work, which included governance related audits and identified general compliance issues in basic areas of governance and control, where more than 50% of the audits were limited or no assurance.

Risk Management

In our opinion, we consider the risk management processes are in place and should provide regular information on identified 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.

This is based on:

- Our 2019/20 audit (issued in October 2019) of the Risk Management process, for which a Substantial assurance was provided, and
- Our on-going audits of the departmental risk registers as considered as part of internal audits conducted across departments within the plan.

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 were 75% substantial or full assurance. However we have issued a Limited assurance opinion in respect of Cyber-security.

Acknowledgement

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)

July 2021

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 2020/21 year against the original Internal Audit plans.
- 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 2020/21 the following key issues were identified across our work:

- Internal audit work during the year again identified a number of issues with contract letting, monitoring and management across the organisation.
- Internal audit continues to identify a number of instances where privacy notices relating to the collection of personal data were missing or were no longer fit for purpose.
- There are a number of schools in deficit.
- Internal audit continues to identify general compliance issues in basic areas of governance and control.
- Internal audits have identified issues in the area of temporary accommodation, including arrangements for repairs and maintenance.

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 Executive and Corporate Leadership Teams individually for their departments and divisions. 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.

Work in delivering the plan was completed during the government measures put in place in response to COVID-19. While our audits were performed remotely, we were able to obtain all relevant documents required to complete these, although this did add delays to the process and the responses to our audit queries.

Other assurance bodies

In formulating the overall opinion on internal control, the Head of Internal Audit also took into account the work conducted by Ofsted as considered through our School audits and the external auditor.

Governance Processes

The key features of the framework for Corporate Governance within the Council 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.
- 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 January, June and September 2017, May, July, November and December 2018, February, April and August 2019, January, March, April and June 2020 and February and May 2021.
- The Council's Tenders and Contract Regulations, which form part 4.1 of the Constitution of the London Borough of Croydon and were adopted by Full Council on 15 July 2019.
- Financial Regulations are reviewed and revised on an annual basis under delegated authority (by the S151 Officer in consultation with the Chief Executive and the Executive Director of Resources). The current version of the Financial Regulations was issued during June 2020. 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 including 'deep dives' on specific risk entries and 'Red rated' Strategic, Governance and Operational Risks are formally reviewed on a regular 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 specific categories of risk to enable further analysis for example risks related to Technology, Human Resources, Finance etc.

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

Head of Risk & Insurance: Responsibility for developing, introducing and maintaining Risk Management rests with the Head of Risk & Insurance. 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 Departmental Leadership Teams is provided by the Risk function,
- Support for self-service on the JCAD Risk computer system provided to Directors/Executive Directors and their Executive and Executive Support Officers to embed risk management in the organisation and ensure on-going review and updating and dynamic usage.
- The running of risk workshops by agreement with Project Boards and at Departmental Team Meetings by the Risk team 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.

Internal Audit Plan

The Internal Audit Plan for 2020/21 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 2020/21 plan was presented to the GPAC on 17 March 2020.

Although Internal Audit continued to operate post the Covid-19 lockdown restrictions from 23 March 2020, the progression of work from both the 2019/20 and 2020/21 plans was impacted. Our work re-commenced in August 2020 but due to the nature of remote auditing and our reliance on Council staff providing information, there have been some delays in the completion of audit. However, there were no material scope impairments or restrictions on internal audit in 2020/21.

Our work for the year to 31 March 2021 was not fully completed in line with the operational plan, with some 2020/21 audits being incomplete and/or deferred until after year-end. This was due to a combination of reasons including the ongoing impact of Covid-19 and associated lockdown restrictions. The results of these audits, where not completed on time for this Internal Annual Report will be included with those in the 2021/22 audit plan.

The 2020/21 Internal Audit plan is provided in Appendix 1 for information. The schedule shows the number of recommendations raised in each audit during 2020/21 where a report has been issued, as well as those audits delayed due to covid-19. In addition, details of 2019/20 audits delayed due to Covid-19 and issued since the 2019/20 Annual Report have also been included.

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%	83%
Percentage of staff with full qualifications used to deliver the service	40%	40%
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	86%
Number of draft reports	66	30

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 2016/17 (to date*)	Performance 2017-18 (to date*)	Performance 2018/19 (to date*)	Performance 2019/20 (to date*)	Performance 2020/21 (to date)
Percentage of priority one issues resolved at the time of the follow up audit	90%	98%	100%	92%	87%	100%
Percentage of all issues resolved at the time of the follow up audit	80%	94%	90%	87%	91%	79%

* The results of those 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21 audits that have been followed up are included in Appendixes 3, 4, 5, 6 and 7 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 PSIAS. 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.

It is currently planned for a full peer review of compliance with the PSIAS to be carried out by the Head of internal Audit from another London Borough in the autumn of 2021.

Appendix 1 – Summary of internal audit work in 2020/21

2020/21 Audit Plan	Department	Assurance	Issues			Total Raised
			Priority			
			1	2	3	
KEY FINANCIALS/ IAS 315 REVIEWS						
Business Rates	Resources		Audit in progress			
Adults Social Care Payment Process	Resources		Audit in progress			
Children's Social Care Payment Processes	Resources		Audit in progress			
Payments to Schools (Include licensed deficit process)	Resources	Limited	1	2	3	6
Council Tax (Draft)	Resources	Full	0	0	0	0
Continuous Auditing (Draft)	Resources	Limited	6	9	0	15
Total Issues Raised			7	11	3	
CORPORATE RISK AUDITS						
Ad Hoc Payments (Draft)	Corporate	Substantial	0	1	0	1
Overtime Payments	Corporate	Limited	0	5	0	5
Service Based Budget Monitoring: Across the Organisation (Draft)	Corporate	Limited	3	4	1	8
Staff Expenses - Compliance checks	Corporate	No	4	1	0	5
Staff Parking and Travel To Work	Corporate		Audit in progress			
Management of Remote Staffing	Corporate		Audit in progress			
Total Issues Raised			7	11	1	19
DEPARTMENTAL RISK REGISTER AUDITS						
End to end Placement process (including disabilities)	Children, Families and Education		Audit in progress			
"Ordinary Residents"	Health, Wellbeing & Adults		Audit in progress			
Blue Badges (Draft)	Health, Wellbeing & Adults	Substantial	0	3	1	4
Clinical Governance (Draft)	Health, Wellbeing & Adults	Limited	2	4	0	6
Continuing Healthcare	Health, Wellbeing & Adults		Audit in progress			
Council Owned Temporary Accommodation: Concierge and Site Management	Health, Wellbeing & Adults		Audit in progress			
Disabled Facilities Grants (Draft)	Health, Wellbeing & Adults	Limited	1	4	2	7
Homelessness: Voids	Health, Wellbeing & Adults		Audit in progress			
Out of Borough Adult Social Care Placements	Health, Wellbeing & Adults		Audit in progress			
Public Health: Contracts Management (Sexual Health) (Draft)	Health, Wellbeing & Adults	Limited	4	3	0	7

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Temporary Accommodation: Standards in Private Sector (Draft)	Health, Wellbeing & Adults	Limited	2	4	0	6
Transforming Care	Health, Wellbeing & Adults	Audit in progress				
Placement Deposits	Health, Wellbeing & Adults / Children, Families and Education	Audit in progress				
Overtime Payments - Parking Services	Place	Limited	3	3	0	6
Apprenticeships	Place	Audit in progress				
Corporate Estate: Building Compliance (Draft)	Place	Substantial	0	5	1	6
Croydon Affordable Homes: Contract Management	Place	Audit in progress				
Emissions Based Parking Charges	Place	Audit in progress				
Housing Need and Supply: Roles & Responsibilities	Place	Audit in progress				
Selective Licensing	Place	Audit in progress				
SEN Transport – Safeguarding (Draft)	Place	Limited	2	3	0	5
SLWP - Payments and Recharging Processes	Place	Audit in progress				
Agency Staff - Internal Recharges	Resources	Audit in progress				
CDS Contract Management	Resources	Audit in progress				
Establishment Control	Resources	Audit in progress				
Long Term Sick and Maternity Sick leave	Resources	Audit in progress				
New Supplier Set up	Resources	Audit in progress				
Right To Work checks (Draft)	Resources	Limited	1	1	1	3
Procurement card expenditure under Covid-19 (Draft)	Resources	No	4	4	0	8
Hospital discharges - reclaims	Health, Wellbeing & Adults	Audit in progress				
Supplier relief under covid-19	Resources	Audit in progress				
Local Support Systems (under covid-19)	Resources	Audit in progress				
Grants to Voluntary Organisations	Resources	Audit in progress				
Total Issues Raised			19	34	5	58

COMPUTER AUDITS

Cyber Security (Draft)	Resources	Limited	1	6	2	9
Total Issues Raised			1	6	2	9

CONTRACT AUDITS

CCTV Procurement	Resources	Audit in progress				
Telephony Procurement	Resources	Audit in progress				
Capital programme - Regeneration	Place	Audit in progress				
Emergency and Temporary Accommodation (Phase 3) (incl. VFM)	Resources	Audit in progress				
Buying Team	Resources	Audit in progress				
Total Issues Raised						

SCHOOLS AUDITS

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Tunstall Nursery School	Children, Families and Education	Substantial	0	1	2	3
Thornton Health Nursery School	Children, Families and Education	Limited	2	10	2	14
Forestdale Primary School	Children, Families and Education	Substantial	0	6	5	11
Greenvale Primary School	Children, Families and Education	Substantial	0	6	4	10
Purley Oaks Primary School	Children, Families and Education	Substantial	0	4	5	9
Smitham Primary School	Children, Families and Education	Substantial	0	3	2	5
Winterbourne Nursey and Infant School	Children, Families and Education	Substantial	0	2	3	5
Archbishop Tension's C of E High School	Children, Families and Education	Limited	1	7	3	11
Thomas More Catholic High School (Draft)	Children, Families and Education	Limited	1	8	5	14
St Giles	Children, Families and Education	Substantial	0	1	2	3
St Nicholas	Children, Families and Education	Substantial	0	3	5	8
Red Gates	Children, Families and Education	Substantial	1	1	3	7
Total Recommendations			5	52	41	98

2019/20 Audit Plan	Department	Assurance	Issues			Total Raised
			Priority			
			1	2	3	
KEY FINANCIAL AUDITS						
Banking (Draft)	Resources	Limited	1	2	1	4
Community Care Payments (Draft)	Health, Wellbeing & Adults	Limited	5	1	2	8
Creditors	Resources	Limited	4	7	1	12
Debtors (Accounts Receivable)	Resources	Substantial	0	4	4	8
Main Accounting System (Draft)	Resources	Limited	1	1	0	2
Total Issues Raised			11	15	8	34

DEPARTMENTAL AUDITS						
Special Educational Needs and Disability SEND	Children Families and Education	Limited	2	0	0	2
Age Assessment Judicial Review	Children Families and Education	Limited	2	4	0	6
Financial Assessments – Charging Policy (Draft)	Health, Wellbeing & Adults	Limited	2	3	0	5
SLWP / Veolia (Draft)	Place	Substantial	0	2	1	3
BxB - Council Governance (Draft)	Place	Limited	1	1	0	2
Parks Health and Safety	Place	Limited	3	4	1	8
Debt Recovery – In house	Resources	Substantial	0	1	0	1
Enforcement Agents	Resources	Substantial	0	2	1	3
Freedom of Information and Subject Access Requests (Draft)	Resources	Limited	1	0	2	3
Fairfield Halls Delivery (BxB Management)	Place	No	3	0	0	3
Staff Code of Conduct	Resources	Substantial	0	4	1	5
Staff Debt	Resources	Limited	1	6	1	8
IT Policies Review	Resources	Substantial	0	2	3	5
Total Issues Raised			15	29	10	54

COMPUTER AUDITS						
Azure Back up Application	Resources	Full	0	0	0	0
Microsoft Direct Access Operating System	Resources	Substantial	0	1	3	4
Peoples ICT Application	Resources	Substantial	0	6	1	7
Total Issues Raised			0	7	4	11

CONTRACT AUDITS						
Enforcement Agents - Procurement	Resources	No	4	2	0	6
Supply and Install of Modular Building at Stubbs Mead Depot (Draft)	Place	Limited	3	2	1	6
Contract Managing Street Lighting PFI	Place	Full	0	0	0	0
Total Issues Raised			7	4	1	12

SCHOOL AUDIT

Selsdon Primary School	Children Families and Education	Substantial	0	1	2	3
Total Issues Raised			0	1	2	3

Appendix 2 –Summary of Priority One Issues for finalised audits

Year	Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
Non- School Audits			
2020/21	Payments to Schools	Limited (One priority 1, two Priority 2 and three priority 3 issues)	A priority 1 issue was raised as, Although statutory guidance issued by the Secretary of State requires that School deficits are cleared in 3 years and do not continue indefinitely, four (out of six) of the licensed deficits in 2020/21 were agreed for schools which did not plan for their deficits to be eliminated within 3 years as required.
2020/21	Overtime Payments – Parking Services	Limited (Three priority 1 and three priority 3 issues)	Priority 1 issues were raised as: <ul style="list-style-type: none"> • Parking Services staff eligibility for overtime was being determined based on the number of penalty charges notices (PCNs) issued, in breach of statutory guidance. • The Enforcement Manager had authorised 101 hours of overtime for his brother in March 2020. • Analysis of the overtime paid forms between 1 January and 31 August 2020 identified 10 Parking Services staff who had on average worked more than 48 hours a week for the period. This is not in line with the Staff Handbook, which requires that staff only work more than 48 hours a week for a limited period of time and on an exceptional basis.
2020/21	Staff Expenses	Limited (Four priority 1 and one priority 2 issues)	Priority 1 issues were raised as: <ul style="list-style-type: none"> • Compulsory Car User Forms were not located for 11 of the sample of 15 staff on the car allowance scheme tested. • Testing of a sample of 30 approved expense claims found that nine of these should not have been approved (seven where appropriate supporting documentation was not provided, one for a parking fine and one for membership) and that nine of these had been incorrectly categorised. • Analysis of a report of expenses claimed identified 12 instances where overpayment had occurred because of duplicate expense claims. • Analysis of a report of expenses claimed identified that 240 expense items were authorised outside of the 90 days eligibility timeframe as defined by Expenses Management Policy. Furthermore, the required director written approval was not available for 14 out the sample of 15 (out of a total of 105) expense items submitted more than 60 days after the expense being incurred.
2019/20	Creditors	Limited (Four priority 1, seven priority 2 and one priority 3 issue)	Priority 1 issues were raised as: <ul style="list-style-type: none"> • Examination of the documentation retained for a sample of 17 transactions identified that for five of these the order was raised either after delivery or after the invoice date. • Examination of the documentation retained for a sample of 17 transactions identified that for four of these the goods or services received check preceded actual delivery.

Year	Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
			<ul style="list-style-type: none"> Examination of the documentation retained for a sample of 17 transactions identified that five of the invoices included client names (including children in care) thus potentially breaching the Data Protection Act 2018. As at 28 September 2020 the Council had invoices totalling £25,757,492 on hold, of which £7,220,978 related to previous financial years (i.e. 2019/20 and prior) with oldest invoice on hold dating 8 May 2014.
2019/20	Special Educational Needs and Disability (SEND)	Limited (Two priority 1 issues)	<p>Priority 1 issues were raised as:</p> <ul style="list-style-type: none"> The spreadsheet used to record Education, Health and Care (EHC) needs assessment requests and whether the six week timescale to inform parents was being met (as set in the Council's SEN Code of Practice), did not detail that the parents had been informed in 333 cases (despite six weeks having elapsed since the EHC request). In another 29 instances (where there was a record of the parents being informed) the parents were informed late. 79 out of 302 (26%) EHC plans issued in 2019/20 were not completed and issued within the statutory 20 week period..
2019/20	Age Assessment Judicial Review	Limited (Two priority 1 and four priority 2 issues)	<p>Priority 1 issues were raised as:</p> <ul style="list-style-type: none"> The 2018/19 recharge for 50% of the legal costs incurred for age assessment judicial reviews to the UK Border Agency was incorrect. There was a lack of monitoring and reporting of appropriate statistics on the outcomes or costs of age assessment judicial review cases.
2019/20	Parks Health and Safety	Limited (Three priority 1, four priority 2 and 1 priority 3 issue)	<p>Priority 1 issues were raised as:</p> <ul style="list-style-type: none"> A Parks Strategy was not in place. Weekly reports of playground area visual inspections were missing in a number of instances. Fire risk assessments for most of the parks and greenspaces (where applicable) required review and, where appropriate, update.
2019/20	Fairfield Halls Delivery (BxB Management)	No	<p>Priority 1 issues were raised as:</p> <ul style="list-style-type: none"> The licence for access to carry out works in respect of property at Fairfield, College Green issued to BXB did not include specific contract conditions relating to quality or deadline for delivery. The conditional sale of the Fairfield Car Park agreement was still in draft at the time of the substantive internal audit fieldwork in February 2020. The Executive Director Place, a director of BXB, was the chair of the Fairfield Board meetings which is a conflict of interests.
2019/20	Staff Debt	Limited (One priority 1, six priority 2 and one priority 3 issue)	<p>A priority 1 issue was raised as it was identified that no recovery actions had been made for 37 (out of the 70) salary overpayments despite these being over a year old. The total outstanding balance of salary overpayments was £180,038.48.</p>

Year	Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
2019/20	Enforcement Agents - Procurement	No (Four priority 1 and two priority 2 issues)	<p>Priority 1 issues were raised as:</p> <ul style="list-style-type: none"> The published Contract Notice 2019 OJS113 277545 was open for 27 days only and not 30 as required by The Public Contracts Regulations 2015. As well as incomplete scoring initially, the spreadsheet used for both 'Corporate Services' and 'Parking Services' scoring were not locked down on non-input cells to help protect the integrity of the scoresheet. This resulted in a number of irregularities. An individual scoresheet and the record of moderation were missing for the tender evaluation of January 2018. Contemporaneous records of the reasons and reasoning for the allocation of scores in moderation for both lots of the tender evaluations of August 2019 could not be provided. Attempts have also been made to recreate the reasons and reasoning at a later date. A number of formal agreements extending the arrangements with the service providers could not be provided.
School Audits			
2020/21	Thornton Heath Nursery School	No (Two priority 1, ten priority 2 and two priority 3 recommendations)	<p>Priority 1 issues were raised as:</p> <ul style="list-style-type: none"> The Governing Body did not hold the minimum required three meetings (face to face or on-line) during the 2019/20 school year. Sample testing of 13 transactions found that none of the invoices had been appropriately approved for payment by an identified officer.
2020/21	Archbishop Tenison's High School	Limited (One priority 1, seven priority 2 and three priority 3 issue)	A priority 1 issue was raised as the School did not have a plan to eliminate its deficit within three years as required by the Croydon Scheme for Financing Schools
2020/21	Redgates School	Substantial (One priority 1, one priority 2 and three priority 3 issue)	A priority 1 issue was raised as sample testing of 15 transactions found that eight of the invoices were not evidenced as authorised

Appendix 3 - Follow-up of 2016/17 audits (Incomplete only)

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2016/17	Contract Monitoring and Management (Streets Division)	Sarah Hayward	Limited (3 rd follow up in progress)	6	4	67%
Recommendations and implementation from audits that have had responses				418	391	94%
Priority 1 Recommendations from audits that have had responses				45	44	98%

Appendix 4 - Follow-up of 2017/18 audits (Incomplete only)

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2017/18	Gifts and Hospitality (Officers)	Asmat Hussain	Substantial (4 th follow up in progress)	4	3	75%
2017/18	Admitted Bodies	Asmat Hussain	Substantial (2 nd follow up in progress)	4	1	25%
Recommendations and implementation from audits that have had responses				431	390	90%
Priority 1 Recommendations from audits that have had responses				46	46	100%

Appendix 5 - 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	Voluntary Sector Commissioning Adult Social Care	Asmat Hussain	No Assurance (No further follow up)	8	8	100%
2018/19	Housing Repairs	Hazel Simmonds	Limited (No further follow up)	2	2	100%
2018/19	Pensions Administration	Asmat Hussain	Limited (No further follow up)	5	4	80%
2018/19	Children and Families System Support Team (ControCC)	Debbie Jones	Limited (No further follow up)	13	11	85%
2018/19	Payments to In House Foster Carers	Debbie Jones	Limited (No further follow up)	4	4	100%
2018/19	Payments Against Orders	Debbie Jones	Limited (2 nd follow up in progress)	10	3	30%
2018/19	SEN to include Ombudsman upheld complaints	Debbie Jones	Limited (3 rd follow up in progress)	5	2	40%
2018/19	GDPR in Schools	Debbie Jones	Limited (No further follow up)	8	8	100%
2018/19	Health and Safety in Schools	Debbie Jones	Limited (No further follow up)	6	6	100%
2018/19	Voluntary Sector Commissioning Adult Social Care	Asmat Hussain	No (No further follow up)	8	8	100%
2018/19	Energy Recharges	Asmat Hussain	No (1 st follow up in progress)	7	-	-
2018/19	Air Quality Strategy, Implementation and Review	Sarah Hayward	Limited (2 nd follow up in progress)	8	3	37%
2018/19	Allotments	Sarah Hayward	Limited (No further follow up)	5	4	80%
2018/19	Live Well – Active Lifestyle Team	Sarah Hayward	Limited (No further follow up)	7	7	100%
2018/19	No Recourse to Public Funds (NRPF)	Annette McPartland	Limited (No further follow up)	4	4	100%
2018/19	Croylease (Landlord letting Scheme)	Annette McPartland	Limited (No further follow up)	8	8	100%
2018/19	Libraries Income Collection	Annette McPartland	Limited (No further follow up)	5	5	100%
2018/19	Election Accounts and Claims	Asmat Hussain	Limited (No further follow up)	7	6	86%
2018/19	Temporary Employment	Asmat Hussain	Limited (5 th follow up in progress)	16	12	75%
2018/19	Asbestos Management (Beyond the Corporate Campus)	Sarah Hayward	Limited (4 th follow up in progress)	12	9	75%
2018/19	Education Monitoring Tracking for LAC	Debbie Jones	Limited (No further follow up)	11	11	100%
2018/19	PMI General Building Works Service	Sarah Hayward	Limited (No further follow up)	6	5	83%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2018/19	Parking Enforcement and Tickets	Sarah Hayward	Substantial (No further follow up)	5	4	80%
2018/19	School Deficits and Surpluses (Conversion to Academy)	Robert Henderson	Substantial (3 rd follow up in progress)	4	3	75%
2018/19	Highways Statutory Defence	Sarah Hayward	Substantial (No further follow up)	4	4	100%
2018/19	Discretionary Housing Payments	Annette McPartland	Substantial (No further follow up)	3	3	100%
2018/19	Leasehold Service Charges	Annette McPartland	Substantial (No further follow up)	2	2	100%
2018/19	Public Events	Sarah Hayward	Substantial (No further follow up)	7	6	86%
2018/19	South London Work and Health Partnership(SLWHP)	Sarah Hayward	Substantial (No further follow up)	3	3	100%
2018/19	Parking CCTV	Sarah Hayward	Substantial (No further follow up)	1	1	100%
2018/19	Mortuary	Asmat Hussain	Substantial (2 nd follow up in progress)	4	2	50%
2018/19	Growth Zone – High Level Review	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2018/19	GDPR	Asmat Hussain	Substantial (2 nd follow up in progress)	2	0	0
2018/19	New Legal Services Model	Asmat Hussain	Substantial (1 st follow up in progress)	7	4	57%
2018/19	Council Investment and Operational Properties – Income Maximisation	Asmat Hussain	Substantial (3 rd follow up in progress)	4	3	75%
2018/19	Access to IT Server	Asmat Hussain	Substantial (No further follow up)	3	3	100%
2018/19	Capita Event Management	Asmat Hussain	Substantial (No further follow up)	3	3	100%
2018/19	Third Party – Service Delivery	Asmat Hussain	Substantial (No further follow up)	1	1	100%
2018/19	Cashiers (Cash Handling)	Asmat Hussain	Full (No further follow up)	1	1	100%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses				215	176	82%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				30	26	87%
School Audits						
2018/19	Virgo Fidelis Convent School	Debbie Jones	No (No further follow up)	27	27	100%
2018/19	Coulsdon C of E Primary School	Debbie Jones	Limited (No further follow up)	8	7	88%
2018/19	The Mister Junior School	Debbie Jones	Limited (No further follow up)	11	9	82%
2018/19	Winterbourne Junior Girls School	Debbie Jones	Limited (No further follow up)	12	12	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2018/19	Regina Coeli Catholic Primary School	Debbie Jones	Limited (No further follow up)	10	10	100%
2018/19	St Andrews C of E VA High School	Debbie Jones	Limited (No further follow up)	5	5	100%
2018/19	Thomas More Catholic School	Debbie Jones	Limited (No further follow up)	18	17	94%
2018/19	Christchurch CofE Primary School	Debbie Jones	Substantial (No further follow up)	10	10	100%
2018/19	Orchard Way Primary School	Debbie Jones	Substantial (No further follow up)	8	8	100%
2018/19	Park Hill Infant School	Debbie Jones	Substantial (No further follow up)	6	6	100%
2018/19	Ridgeway Primary School	Debbie Jones	Substantial (No further follow up)	7	6	86%
2018/19	The Hayes Primary School	Debbie Jones	Substantial (No further follow up)	7	7	100%
2018/19	St Mary's Catholic High School	Debbie Jones	Substantial (No further follow up))	12	11	91%
2018/19	Bensham Manor School	Debbie Jones	Substantial (No further follow up)	9	8	89%
School Audits Sub Total: Recommendations and implementation from audits that have had responses				150	143	95%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				19	19	100%
Recommendations and implementation from audits that have had responses				365	319	87%
Priority 1 Recommendations from audits that have had responses				49	45	92%

Appendix 6 - Follow-up of 2019/20 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2019/20	Housing Rent	Annette McPartland	Limited (No further follow up)	3	3	100%
2019/20	Staff Debt	Asmat Hussain	Limited (1 st follow up in progress)	8	-	-
2019/20	Age Assessment Judicial Review	Annette McPartland	Limited (No further follow up)	6	6	100%
2019/20	Alternative School Provisioning	Debbie Jones	Limited (No further follow up)	6	6	100%
2019/20	Partnership Governance – Children and Families	Debbie Jones	Limited (1 st follow up in progress)	5	-	-
2019/20	Special Educational Needs and Disability (SEND)	Debbie Jones	Limited (1 st follow up in progress)	2	-	-
2019/20	Lettings Allocations and Assessments	Annette McPartland	Limited (3 rd follow up in progress)	3	1	33%
2019/20	Placements in Private Housing Accommodation	Annette McPartland	Limited (2 nd follow up in progress)	4	2	50%
2019/20	Adult Social Care (ASC) Waiting List	Annette McPartland	Limited (No further follow up)	4	4	100%
2019/20	Care Market Failure	Asmat Hussain	Limited (No further follow up)	10	10	100%
2019/20	Financial Planning and Forecasting Adult's Services	Annette McPartland	Limited (2 nd follow up in progress)	5	3	60%
2019/20	Occupational Therapy	Annette McPartland	Limited (3 rd follow up in progress)	4	2	50%
2019/20	Bringing Services In-House – Parks Service	Sarah Hayward	Limited (No further follow up)	8	8	100%
2019/20	External funding	Sarah Hayward	Limited (No further follow up)	3	3	100%
2019/20	Food Safety – Data Quality	Sarah Hayward	Limited (No further follow up)	5	4	80%
2019/20	Parks Health and Safety	Sarah	Limited (No further follow up)	8	8	100%
2019/20	Community Equipment Service (Wheelchair Service)	Jacqueline Harris-Baker	Limited (4 th follow up in progress)	3	2	33%
2019/20	Fairfield Halls Delivery (BxB Management)	Sarah Hayward	Limited (1 st follow up in progress)	3	2	66%
2019/20	Enforcement Agents - Procurement	Asmat Hussain	Limited (2 nd follow up in progress)	6	3	50%
2019/20	Business Rates	Chris Buss	Substantial (No further follow up)	1	1	100%
2019/20	Housing Benefit	Chris Buss	Substantial (No further follow up)	2	2	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2019/20	Pensions	Chris Buss	Substantial (No further follow up)	2	2	100%
2019/20	Pay and Display Meter Maintenance and Income	Sarah Hayward	Substantial (No further follow up)	4	4	100%
2019/20	Section 17 Payments	Debbie Jones	Substantial (No further follow up)	5	5	100%
2019/20	Sheltered Accommodation (Extra Care Service)	Annette McPartland	Substantial (No further follow up)	3	3	100%
2019/20	Growth Zone – Performance Management	Sarah Hayward	Substantial (No further follow up)	4	4	100%
2019/20	Highways Contract Management	Sarah Hayward	Substantial (No further follow up)	4	4	100%
2019/20	Debt Recovery – In house	Asmat Hussain	Substantial (No further follow up)	1	1	100%
2019/20	Risk Management	Asmat Hussain	Substantial (No further follow up)	4	4	100%
2019/20	Uniform IT Application	Asmat Hussain	Substantial (3 rd follow up in progress)	4	2	50%
2019/20	Northgate iWorld Application	Asmat Hussain	Substantial (No further follow up)	1	1	100%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses				116	100	86%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				30	22	73%
School Audits						
2019/20	Winterbourne Nursery and Infants	Debbie Jones	No (No further follow up)	22	22	100%
2019/20	Beulah Junior School	Debbie Jones	Limited (No further follow up)	14	13	92%
2019/20	Kenley Primary School	Debbie Jones	Limited (No further follow up)	11	10	91%
2019/20	Margaret Roper Catholic Primary School	Debbie Jones	Limited (1 st follow up in progress)	11	10	91%
2019/20	Minster Infant School	Debbie Jones	Limited (1 st follow up in progress)	16	13	81%
2019/20	Norbury Manor Primary School	Debbie Jones	Limited (No further follow up)	13	13	100%
2019/20	St Joseph's Federation	Debbie Jones	Limited (No further follow up)	14	13	93%
2019/20	Virgo Fidelis Convent Senior School	Debbie Jones	Limited (No further follow up)	19	19	100%
2019/20	Crosfield Nursery and Selhurst Early Years	Debbie Jones	Substantial (No further follow up)	8	7	87%
2019/20	All Saints C of E Primary School	Debbie Jones	Substantial (No further follow up)	12	12	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2019/20	Elmwood Infant School	Debbie Jones	Substantial (No further follow up)	6	6	100%
2019/20	Heavers Farm School	Debbie Jones	Substantial (No further follow up)	13	13	100%
2019/20	Selsdon Primary School	Debbie Jones	Substantial (1 st follow up in progress)	3	-	-
School Audits Sub Total: Recommendations and implementation from audits that have had responses				159	151	95%
School Audits Sub Total: Priority 1 recommendations from audits that have had responses				31	31	100%
Recommendations and implementation from audits that have had responses				275	251	91%
Priority 1 Recommendations from audits that have had responses				61	53	87%

Appendix 7 - Follow-up of 2020/21 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
School Audits						
2020/21	Tunstall Nursery	Debbie Jones	Substantial (No further follow up)	3	3	100%
2020/21	Thornton Heath Nursery	Debbie Jones	No (1 st follow up in progress)	14	-	-
2020/21	Forestdale Primary School	Debbie Jones	Substantial (1 st follow up in progress)	11	-	-
2020/21	Greenvale Primary School	Debbie Jones	Substantial (No further follow up)	10	8	80%
2020/21	Purley Oaks Primary School	Debbie Jones	Substantial (1 st follow up in progress)	9	-	-
2020/21	Smitham Primary School	Debbie Jones	Substantial (1 st follow up in progress)	5	-	-
2020/21	Winterbourne Nursery and Infants School	Debbie Jones	Substantial (1 st follow up in progress)	5	-	-
2020/21	Archbishop Tenison's C of E High School	Debbie Jones	Limited (2 nd follow up in progress)	11	8	73%
2020/21	St Giles	Debbie Jones	Substantial (1 st follow up in progress)	3	-	-
School Audits Sub Total: Recommendations and implementation from audits that have had responses				24	19	79%
School Audits Sub Total: Priority 1 recommendations from audits that have had responses				1	1	100%
Recommendations and implementation from audits that have had responses				24	19	79%
Priority 1 Recommendations from audits that have had responses				1	1	100%

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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