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Audit & Governance Committee

Meeting of held on Thursday, 20 April 2023 at 6.30 pm in Council Chamber, Town Hall,
Katherine Street, Croydon, CR0 1NX

MINUTES

Present: Olu Olasode (Independent Chair)
Councillor Matt Griffiths (Vice-Chair);
Councillor Claire Bonham, Simon Brew, Sherwan Chowdhury,
Endri Llabuti and Nikhil Sherine Thampi

Also Present: Councillor Enid Mollyneaux and Jason Cummings

Apologies: Councillor Patricia Hay-Justice

PART A

45/22 **Disclosure of Interests**

There were no disclosures of interest.

46/22 **Minutes of the Previous Meeting**

The minutes of the meeting held on 2 March 2023 were approved as an accurate record of proceedings.

47/22 **Audit and Governance Committee Action Log**

48/22 **Urgent Business (if any)**

There were no items of Urgent Business.

49/22 **Section 24 Statutory Recommendations to the Council**

Paul Dossett (Grant Thornton) introduced the report for members and noted the recommendations had been reported to Full Council in March 2023. The S151 Officer introduced Appendix B, the Council's response to the Committee and advised that all the recommendations from Grant Thornton had been accepted. Much of the work required to complete the actions had been ongoing and was a continuation of the progress reporting received by the Audit and Governance Committee over the last year. Councillor Cummings noted his disappointment at the reception the report had received at Full Council and advised of the need for the organisation to accept external reporting and recommendations.

The Committee queried the prompt for and timing of the report. Paul Dossett advised this had primarily been the S114 notice, Grant Thornton had not made any public response since the Fairfield Halls issues and had already been considering the previous Chief Executive's severance. This report brought those issues together and its March 2023 publication was agreed to allow for adequate discussion with Officers and to fit the timing of Full Council meetings.

The Committee queried Grant Thornton's ability to resource the work required to clear the backlog of accounts by June 2024. The External Auditor advised the 2019/20 audit process could be completed quickly once the revised set of accounts were received from the Council as much of the work was already complete. The auditing of the 2020/21 accounts should be completed this year.

The Committee highlighted the External Auditor's recommendation to ensure the monthly budget reports were robustly challenged by the Scrutiny and Audit and Governance Committees and noted a previous request for sight of reports in time for review by the Scrutiny Committee had been refused. The Committee queried whether this indicated a lack of transparency and a need to review internal processes. Cllr Cummings advised the monthly budget monitoring reports were previously required to go through the Mayor's Advisory Board and Cabinet prior to Scrutiny. This process had been changed, reports were now available publicly and to all Committees following the Mayor's Advisory Board meetings. The Committee noted it was important for the Council not to rely on External Auditors to highlight processes which undermined openness and transparency.

The Committee raised concerns around the action to develop an action plan to finalise the outstanding accounts and asked what percentage of the 20/21 and 21/22 accounts were complete. Paul Dossett advised 19/20 was largely complete apart from addressing the technical issues, for 20/21 the ambition was to complete these by end of 2023. An estimated 10-15% of the 21/22 work had been completed. Officers advised the Committee the complexity of the accounting tasks which had been uncovered had caused further delay to the production of the accounts.

In response to questions Officers advised they did not expect the 19/20 accounts to be in a worse position than forecast and were working in line with the MTFS and Council Tax setting.

The Committee queried the reasoning for the 15% Council tax rise reporting recommendation. Paul Dossett advised that previous financial decisions made by the Council had not reflected Value for Money (VFM) and the recommendation ensured a proactive approach to demonstrate how the additional Council Tax income had been utilised.

In response to questions Officers advised an interim report would be brought to Committee in the Autumn following work with the External Auditors and Improvement and Assurance Panel.

The Committee asked what evidence would be used in reporting to demonstrate progress and process improvement. Officers advised this may include data such as Council Tax Collection rates and VFM/Council efficiency. Internal Audit could be utilised to support recommendation update reports. Progress would be reported via the AGS Monitoring report.

The Committee RESOLVED to:

1. Note the recent recommendations and the Council's response; and,
2. To monitor future progress against the actions agreed by the Council.

50/22

**Interim Auditor's Annual Report of the London Borough of Croydon
2019-20, 2020-21, 2021-22**

Paul Dossett (Grant Thornton) introduced the report the Committee which provided an audit history and collated many of the reports and findings already reported to the Committee over the last two years up to March 2022. It was noted that the summary of findings on page 42 showed many outstanding actions; however, there had been a change of direction and progress within the Council since mid-2021.

Officers advised there were five key recommendations in the report, all of which had been agreed by the Council. The large scale of improvement recommendations being undertaken by the was noted. However, activity to progress the recommendations was ongoing across the Council. Progress updates on the report's recommendations would be collated into the AGS action tracker for future reporting. Cllr Cummings commented it now seemed the Council was at the end of uncovering new issues and expected to see progression of improvements over the coming year.

The Committee raised concerns about the lack of detail in the Council's response section of the report, suggesting this could be interpreted by the public as the recommendations not being taken seriously. Officers advised a significant update report with more detail and which compiled the various actions would come to the Committee in the Autumn.

The Committee requested clarification on whether internal targets with more specific measurable outcomes would be in place to track progress. Officers advised the Council performance framework would be utilised with each department's Key Performance Indicators feeding into this.

The Committee raised concerns that there was not currently a specific action plan in place for the recommendations. Officers advised of the intention to track progress via the Annual Governance Statement (AGS) reporting and agreed to provide a breakdown of target monitoring within this.

Grant Thornton advised the next report in January 2024 would include a follow up assessment of the Council's progress.

The Committee RESOLVED to;

1. Note the Interim External Auditors report from Grant Thornton; and,
2. Agree to monitor the implementation of the recommendations from the report.

51/22
accounts

Update on the Accounts preparation 2022/23 and previous years

Allister Bannin Deputy S151 Officer introduced the report for the Committee.

The Committee requested assurance on whether the 2019/20 adjustments would negatively impact the subsequent years' accounts. Officers advised the position would not be worse than reported to the Committee in February/March 2023 as the capitalisation direction from central government covered this; however, they would be worse than what was currently in public domain.

The Committee queried the risk transfer cited in the report regarding Croydon Affordable Homes (CAH) and Croydon Affordable Tenures (CAT). Officers advised this was one of the areas where further technicalities had been uncovered, that there were differences between the legal relationship of the Council and external companies and how this was displayed in the Council's accounting. Work was being done to ensure the correct treatment of these issues.

In response to questions Officers advised the Residents Fund was another name for the Council's Real Lettings Fund, a property investment fund used to purchase social housing with other pooled investors.

The Committee requested assurance around the technical capability and capacity within teams to complete the work within the time frame. Officers confirmed this was being prioritised and additional resource was currently being sought to support the Corporate Finance team. The approach had been considered and unrushed to ensure once reset the accounting was accurate.

Officers noted a culture of recognising when external support was needed now existed and could be seen by the utilisation of Peter Worth Technical Accounting Solutions and PWC.

Cllr Cummings offered to meet with Committee members to explain the relationship and issues regarding the treatment of CAH and CAT in the Council's accounts.

The Committee RESOLVED to:

1. Note the ongoing work to close the 2022-23 and prior year accounts; and,
2. Note the ongoing considerations in relation to the accounting treatment of arrangements with Croydon Affordable Homes and Croydon Affordable Tenures.

52/22

Annual Governance Statement Action Plan Update

The Monitoring Officer Stephen Lawrence-Orumwense introduced the report for members. It was noted that the report collated the actions and tracked the progress of the AGS action plan and actions arising from the second report in the public interest (RIPI2) relating to the refurbishment of Fairfield Halls.

Cllr Cummings noted the large scale of the improvement actions required, that improvements would need to be made sustainability, and that it would likely take years to complete.

The Committee queried whether the outstanding actions relating to record keeping were linked to the Oracle Fusion Update work and requested an update on the project. Officers advised that some actions went beyond the key requirements of the RIPI2 recommendations. There were processes in place for the record keeping of contractual information, but the action remained amber whilst further improvements were being made. Actions relating to the procure to pay project and capital improvements involved Oracle however, the decision record keeping actions were not related.

The Committee queried whether there were examples of best practice available for the Freedom of Information (FOI) and Subject Access Request (SAR) implementation plan and if there was scope for the Council to make more information public, reducing FOI requests. Officers noted the Interim Chief Digital had expertise in FOI and SAR best practice and proactive publication of information would be adopted to reduce requests.

The Committee requested impact reporting on the actions relating to staff training and culture improvements and clarification on how completed actions would be tested to ensure they were embedded following completion. Officers noted the high number of recommendations and actions requiring collation, implementation and tracking across the Council and advised resourcing impact reporting on this volume of work could be challenging. It was noted that the Committee could request deep dive reporting on specific areas of interest. Officers advised there were other processes which fed into the AGS to ensure issues were not missed.

The Committee requested the inclusion of impact assurance via additional narrative to describe the effect of improvement activities within future reporting.

The Committee RESOLVED to consider and comment on the Annual Government Statement 2021/22 Action Plan Update.

53/22

Corporate Risk Register

Malcolm Davies, Head of Insurance, Anti-Fraud and Risk introduced the report for members. It was noted that there had been several changes to risk owners which had presented some challenges. The Corporate Management Team received reporting monthly and work was ongoing to ensure control measures and risk management improvement plans were in place.

The Committee queried the red status of the utility costs risk and raised concerns about the Council's involvement in utility hedging. Officers suggested this may be an area for the Committee to request a deep dive review and advised the Committee the utility hedging was facilitated by LASER Energy, a subsidiary of Kent County Council. Councillor Cummings noted the delayed impact of external factors such as energy pricing in contract renewal and re-procurement following the end of fixed cost plans.

The Committee queried the reasons behind the escalation of the risk relating to a lack of expert Equalities and Diversity resource within the Council. Officers advised this risk would change ownership and the issue was around the need for resourcing to adequately meet the Council's EDI agenda.

The Committee requested risk movement and time spent at red/high to be included in future reporting and noted some future control dates were in the past and required an update.

The Committee agreed to consider areas of interest to request a deep dive review of the risk register. It was noted that high risks forecast to reduce which had not, may be the most useful to consider.

The Committee RESOLVED; to note the contents of the corporate risk register as at April 2023.

54/22

Anti Fraud Update

Malcolm Davies, Head of Insurance, Anti-Fraud and Risk introduced the report for members. Officers noted the formalisation of the shared anti-fraud service with London Borough of Lambeth which had started in January 2023.

The Committee agreed the intention to provide benchmarking data with LB Lambeth and LBFIG would be useful to include in the annual report.

The Committee requested the development of a prevention value reporting metric. Officers advised this would be possible in areas such as pre-staff vetting and housing succession applications.

In response to questions Officers agreed publicity of successful cases can be a helpful deterrent.

The Committee RESOLVED to note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2022 – 31 March 2023.

55/22

Audit and Governance Committee Draft Annual Report

Dave Philips, Head of Internal Audit explained the process of the Committee Annual Report and advised this would be circulated to members for comment prior to the next Committee meeting.

The meeting ended at 8.25 pm

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