

## General Purposes and Audit Committee

Meeting held on Wednesday 14 September 2016 at 6:30pm in Council Chamber, Town Hall, Katharine Street, Croydon

### MINUTES - PART A

Present: Councillor Karen Jewitt (Chair)  
Councillor Kathy Bee (Vice Chair)  
Councillors Jan Buttinger, Sherwan Chowdhury, Jason Cummings, Patricia Hay-Justice, Humayun Kabir, and Joy Prince

Also present: Councillor Simon Hall, Cabinet Member for Finance & Treasury  
Nigel Cook, Head of Pensions and Treasury  
Malcolm Davies, Head of Risk & Corporate Programme Office  
Ian Geary, Accountancy Manager  
Paul Grady, Chris Long and Rufaro Dewu, Grant Thornton, External Auditors  
Simon Maddocks, Head of Governance  
Dave Philips, Mazars, Internal Audit Manager  
Richard Simpson, Executive Director - Resources

### MINUTES - PART A

#### **A29/16 Minutes of the Last meeting**

**RESOLVED:** That the Minutes of the meeting held on 29 June 2016 be signed by the Chair as a correct record.

#### **A30/16 Disclosure of Interest**

There were no disclosures of interest.

#### **A31/16 Urgent Business (if any)**

There were no urgent items of business.

#### **A32/16 Exempt Items**

The Committee **noted** that there were no Part B agenda items.

#### **A33/16 Audit Findings**

Paul Grady, Chris Long and Rufaro Dewu of Grant Thornton introduced the Audit Findings and Final Accounts reports.

Members queried the long outstanding debt held by the council and

whether it was the opinion of the external auditors that more work should be done to collect this. Grant Thornton stated that there was a risk in outstanding debt, and that either it should be written off and a process put in place to ensure it does not happen again, or the council should ensure the level does not increase. However, Grant Thornton noted that processes had changed in collecting the outstanding debt but that to-date the outcome had not been achieved. The Executive Director – Resources, Richard Simpson, stated that more regular reviews would be undertaken and that the debt would be more actively chased.

The Committee raised concerns regarding demand led services remaining in budget, and queried whether this was due to an underestimation of demand or inaccurate budgeting.

Grant Thornton advised that the expectation was that demand led budgets would always be exceeded as it was difficult to control, however robust management of the budget was necessary and was the responsibility of all budget holders. The Executive Director – Resources noted that the People Directorate delivered a number of statutory services, and that if the directorate had worked to balance the budget then these services would not have been delivered.

In response to the Members questions Grant Thornton advised that it was their view that the Medium Term Financial Plan was adequate, and that the non-material impacts stated within the report did not render the Plan insufficient.

Members raised concerns regarding the findings with regards to accounts and were informed that it was found that some users of One Oracle could increase their rights and responsibilities within the program, however action had been taken in-year to resolve the issue and monitoring controls had been advised.

Grant Thornton advised that the single large provision was for Virgin Media as potentially a large amount of business rates could be lost. It was anticipated that group accounts would be reviewed in 2016/17 with Brick by Brick transactions, as in previous years the transactions were immaterial. The Executive Director – Resources stated that the groups did have accounts, but had not been consolidated.

The Executive Director – Resources stated that the council was aiming to close accounts on 31 May 2017 and were learning lessons from previous years to achieve this date. The team was also speaking to colleagues across the council to discuss the deadlines information was required.

The Committee queried whether the Pension Fund Audit Findings report went to the Pension Committee also, and were informed that the report would go to the next meeting of the Pension Committee for noting only as it was the role of the General Purposes and Audit Committee to agree the final reports.

The Chair thanked the Grant Thornton representatives for their report.

*Councillor Humayun Kabir arrived at 7.06pm.*

**RESOLVED:** That

1. The ISA 260 Reports for the Council and the Pension Fund issued by the Council's external auditors, Grant Thornton be noted;
2. The letters of representation on behalf of the Council and the Pension Fund be approved;
3. The final accounts based on the adjustments recommended in the Audit Findings report for the Council be approved;
4. Authority be delegated to the Assistant Chief Executive (Corporate Resources and Section 151 Officer) and Chair of General Purposes and Audit Committee to sign off the Council's 2105/16 accounts for any changes identified between this meeting date and 30 September 2016, in consultation with the Chair and Cabinet member for Finance and Treasury; and
5. It be noted that the Annual Governance Statement that was agreed by the Committee on 29 June 2016 has now been signed by the Chief Executive and Leader of the Council.

#### **A34/16 Appointment of External Auditors**

Simon Maddocks, Head of Governance, presented the report on the appointment of External Auditors following the abolishment of the Audit Commission.

The Committee noted that two independent members had been co-opted to the Committee to assist is an independent panel, however raised concerns that neither were present at the meeting. It was noted that all Members were politically aligned and that the independent members presence enabled an alternative and independent view. Members requested that officers write to the co-opted independent members to outline the importance of attending and contributing at meetings. The Head of Governance agreed to write to the independent members following the meeting.

**RESOLVED:** That the Committee recommend to Full Council that the external auditor for the Council and for the Pension Fund should be appointed by Public Sector Audit Appointments Ltd (PSAA), which is a subsidiary of the Improvement and Development Agency (IDeA) which is wholly owned by the Local Government Association.

#### **A35/16 Treasury Annual Review 2015/16**

Nigel Cook, Head of Pensions and Treasury, introduced the Treasury Annual Review report.

In response to Members questions the Head of Pensions and Treasury advised the Committee that the shift between actual and revised budgets, as outlined in Appendix C of the report, was due to a management decision to use cash reserves rather than borrow money. It was expected that in five to ten years there would be greater financial value in holding cash reserves.

**RESOLVED:** That

1. The report be noted;
2. The revision of the Council's minimum rating criteria for investment purposes be approved; and
3. The Treasury Annual Review 2015/16 and the continued implementation of the Council's Treasury Strategy 2016/17 by the Assistant Chief Executive (Corporate Resources and Section 151 Officer) be endorsed.

**A36/16**

**Anti-Fraud Report 1 April 2015 to 31 July 2016**

Simon Maddocks, Head of Governance, presented the Anti-Fraud report to Members and informed Members that following a previous request for comparative data from other councils, he had been unable to find any meaningful comparators. The report, however, contained data made available through CIPFA, which Croydon Council fed into.

In response to Members questions the Head of Governance stated that there were no seasonal fluctuations in the levels of fraud, as fluctuations were often linked to the performance of the economy and so took place over a number of years.

The Head of Governance informed the Committee that officers were unable to estimate the percentage of social housing that was fraudulently occupied, but that the department used the data collected by the Housing Department when audits of housing estates were conducted. Officers stated they would consult colleagues in other boroughs on whether they was a process to estimating figures of fraudulently occupied properties, however noted that the introduction of a data hub across London would enable the council to data match in the future.

The Committee noted from the CIPFA data that single occupancy council tax was highly abused nationally, however officers confirmed that at Croydon this was investigated and was relatively easy to identify.

**RESOLVED:** That the Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April to 31 July 2016 be noted.

**A37/16 Internal Audit Update Report 1 April to 31 July 2016**

The Committee were pleased to note that full assurance had been awarded to Downview Primary, and requested that officers congratulate the school on an excellent audit finding. Officers informed the Committee that they had spoken to the school and commended the assurance level.

Members requested that the Committee write to Downview School to congratulate them on achieving full assurance.

**RESOLVED:** That the Internal Audit Report for April 2016 to July 2016 be noted.

**A38/16 Corporate Risk Register**

Malcolm Davies, Head of Risk & Corporate Programme Office, presented the report and informed the Committee that the two risks had been de-escalated and one had been escalated, as outlined within the report.

In response to concerns raised under the Audit Findings report, the Committee requested that Barbara Peacock, Executive Director – People, attend the next meeting of the Committee to discuss the directorate budget.

**RESOLVED:** That the contents of the corporate risk register as at September 2016 be noted.

**A39/16 Annual Appointments - Amendment**

**Resolved:** That, on behalf of the Council, the following amendment to the Appointments made at Annual Council on 23 May 2016 was agreed:

To no longer appoint to the Whitgift Foundation and reverse the appointment of Councillor Margaret Mead made at Annual Council.

**A40/16 [The following motion is to be moved and seconded as the “camera resolution” where it is proposed to move into part B of a meeting]**

The Chair informed the Committee that there was no business to be conducted in Part B of the agenda, in accordance with the Council’s openness and transparency agenda.

None

The meeting ended at 8.04pm.