

General Purposes & Audit Committee

Meeting of held on Wednesday, 18 July 2018 at 6.30 pm in Council Chamber - Town Hall

MINUTES

- Present:** Councillor Stephen Mann (Chair);
Councillor Joy Prince (Vice-Chair);
Councillors Clive Fraser, Jerry Fitzpatrick, Patsy Cummings, Mary Croos,
Jan Buttinger, Oni Oviri, Ian Parker and Steve Hollands
- Also Present:** Councillor Simon Hall
Nigel Cook, Head of Pensions and Treasury
Thomas Slaughter, Grant Thornton, External Auditors
Sarah Ironmonger, Grant Thornton, External Auditors
Malcolm Davies, Head of Insurance Risk and Corporate Programme Office
Lisa Taylor Director of Finance Investment and Risk
Richard Simpson, Executive Director of Resources
Simon Maddocks, Director of Governance
Dave Phillips, Mazars
Clare Davies, Complaints Manager
Leonard Asamoah, Head of Housing Solutions
Jo-Ann Bulgin, Croydon Choice Partnership Officer
Hannah Musk, Investigations Team Leader
Luke Chiverton, Head of Operations Brick by Brick
Ian Geary – Head of Finance
- Apologies:** Muffadal Kapasi,

PART A

6/18 Minutes of the Previous Meeting

The minutes of the meetings held on 15 March, 26 March and 23 May 2018 were agreed to be signed by the chair as an accurate record of the meeting

7/18 Disclosure of Interests

There were none.

8/18 Urgent Business (if any)

There were no items of urgent business.

The Head of Housing Solutions presented the report which detailed the actions taken by the Council following a complaint by a service user that was escalated to the Local Government and Social Care Ombudsman (LGSCO). The Council accepted the LGSCO findings as published in its report and accepted all recommendations made. The Team went on to complete the recommendations ahead of the time scales.

Officers took note of a Member comment on the poor quality of the medical advisors report in this case and advised that this would be fed back to the relevant teams.

A Member commended the team on their response time to the recommendations made by the LGSO and was reassured that lessons learnt would prevent further occurrences of this nature.

In response to a member query on whether details of lesson learnt would be made available or incorporated into performance management systems, officers stated that they would and statistics as requested would be circulated to Committee members.

The Committee **RESOLVED**: That

1. The content of the LGSO report be noted
2. Further details on lesson learned be circulated to Members of the Committee.

The Head of Operations introduced the report which provided the company's overall financial position as issued by the auditors Grant Thornton and included their opinion on the final accounts. The Auditors issued an unqualified opinion on the Financial Statements with no recommendations made in relation to the company's system of internal control or significant risks identified.

In response to a member query as to whether the reports would be provided by Brick by Brick and not just their accounts, the Cabinet
Cllr Mary Croos arrived at 6:50pm

Member for Finance and Treasury stated that a report would be brought to Cabinet periodically as well as the business plan for approval by Cabinet once a year.

In response to a member Comment as to why the accounts were completed in December, officers responded that an initial decision was made for the statements to be prepared in the financial year and not calendar year in order to make it easier to consolidate figures. This may be reconsidered in the future.

The Committee **Resolved:** That

1. The Independent Auditors report on the Brick by Brick final accounts issued by the company's external auditors, Grant Thornton be noted.

11/18 **Financial Performance Report for 2017-18**

The Director of Finance Investment and Risk presented the report which outlined the Councils financial performance and outcome for the period of 1 April 2017 to 31 March 2018.

The Committee was informed that although the outturn for 2017/18 was an overspend of £5.03m, this was an improvement from the anticipated overspend at q3. This was achieved through careful and strong financial management. The areas of overspend were reported to Cabinet throughout the year and were areas that were impacted by demand and statutory responsibilities.

In response to a member comment that Croydon historically had low levels of reserves compared to other Local Authorities, the Executive Director of Resources stated that as part of the financial strategy, they had been looking at the principles around reserves. Croydon was doing all it could to maintain a prudent position.

A Member queried if the surplus in collection funds was repeatable. Officers responded that the collection fund could not be budgeted for every year. The Committee was informed that there were three key things that drove council tax performance which were the number of properties that provided income, tax base was increasing at a rapid rate with growth playing a big part in financial strategy. The amount collected from Council Tax, Business Rates and Discount relief exemption.

In response to the Chair's question on how Croydon's reserves match up against other LA's, officers said that Croydon had one of the lowest reserves in London whilst inner London Boroughs had greater reserves. Croydon does not budget to use its reserves whilst some Boroughs had. Croydon had usable reserves in capital receipts and this could be utilised to fund transformation and not just to fund capital expenditure.

In response to a Member question as to whether the Council had learnt to be more careful with its reserves, and what figure would be acceptable in 2019/20 for reserves, the Cabinet Member for Finance and Treasury stated that this remained a challenge. The Council had to be careful to manage

pressures in areas such as Adult Social Care but there was also no choice in how some of the reserves were used. An extra £1m had been put into contingency to manage risks in 2019/20.

The Chair commented that there was significant over spend in areas such as Special Education Needs (SEN), asked if underspend in some areas was leading to overspend in others and how exceptional were the items reported. Officers stated that overspend was as a result of significant pressures in specific areas. Expenditure that had been incurred throughout the year was reported periodically to Cabinet. The Costs were exceptional due to the level of costs the LA had to bear such as Universal Credit which had a £2.5m deficit following the pilot which was covered by the Council.

The Chair commented that it would be helpful in future if a breakdown was provided on earmarked reserves for specific projects. – Officers notes that these are provided in the annual accounts.

In response to whether more funds had been budgeted for the Think Family Programme, the Cabinet member for Finance and Treasury stated that this was ran as a pilot and formally set up 18 months ago. The team had now been expanded to provide innovative solution to issues in a holistic way and were supporting more families.

A member queried how the Council's assets were being utilised. Officers responded that revenue had been delivered through selling buildings such as Jeanette Wallace house and by generated income from letting space in BWH.

The Chair thanked officers for their responses to questions.

The Committee **Resolved** to:

1. Approve the levels of reserves and provisions set out in section 7.4 of the report, as recommended by the Section 151 Officer;
2. Note the Council's outturn position, and the progress of the Council's current Financial Strategy objectives;
3. Note the departmental outturn variances as contained within Table 2 and Appendix 1 of the report;
4. Note that a report seeking final approval of the accounts following their review by external audit is a separate item on this agenda;
5. Note following a review of the financial strategy a new financial strategy will be presented to Cabinet in September 2018.

12/18 **Audit Finding Reports**

Thomas Slaughter and Sarah Ironmonger from Grant Thornton presented the Audit findings reports for both the Council's general fund and Pension Fund accounts.

Following review, the Auditors set six recommendations for the Council accounts and one for the Pensions Funds. It was recognised that the Council had strong plans for growth and robust mechanisms in place to deliver despite the significant pressures that would be faced in years to come.

The report also highlighted the importance of cost control and the arrangements in place to drive revenue. It was felt the Council had clear plans to manage this in the medium term.

Grant Thornton anticipates to issue unqualified opinions for the Council's accounts and Pensions Funds accounts by the 31st July 2018.

In response to a Member comment on levels of reserves being a concerns, officers said that the key was whether there was enough cash flow to continue operating until July 2019 without using reserves and there was. Having reviewed the factors and arrangements in place, it was concluded that there was solid foundation of elements to manage any issues that arise through value for money strategies.

In response to a member concerns of the possibility of Capital receipts being used as revenue, offices stated that the Councils usage was a transparent process with Capital Receipts used for specific things to contribute to transformation of services. The government had created a clear policy on the usage of capital receipt.

The Chair thanked the Grant Thornton representative for the work completed and the resources put in place to produce the reports within reduced timeframe.

The Committee **RESOLVED**: That

1. The ISA 260 (International Standards on Auditing) Reports for the Council and the Pension Fund issued by the Council's external auditors, Grant Thornton (Appendix 1 and 2 respectively) be noted.
2. The letters of representation (in Appendix 3 and 4) on behalf of the Council and the Pensions Fund be approved.
3. The final accounts (Appendix 5) based on the adjustments recommended in the Audit Findings report for the Council (set out in Appendix 1), together with any minor changes identified under paragraph 1.4 be approved.
4. Authorisation is given to the Executive Director Resources (S151 Officer) and Chair of General Purposes and Audit Committee to sign off the Council's 2017/18 accounts and agree any changes identified between this meeting date and the 31st July 2018, as detailed in paragraph 3.4 of this report.

The Director of Governance presented the annual report which detailed the Internal Audit work for 2017/18. The Head of Internal Audit was able provide Substantial Assurance in relation to the Councils system of internal control. Substantial Assurance was also given to the Councils framework for governance, risk management and control accords.

The Committee was informed that 70% of individual finalised audits received either full of substantial assurance levels and there were still a number of reports in draft with an update to be provided at the next meeting of the Committee.

The Committee was advised that there were still some priority one recommendations being followed up from previous years as priority one recommendations were followed up until resolved. This will alter the final figures for each year.

Two key issues were identified as we control weaknesses and theses were non- compliance with the Councils Contracts and issues with budgeting and financial management within the people's departments. Further work was being work was being undertaken in these areas following recommendations made to address the issues. There had been some improvements made in the areas identified.

In response to Member question on what issues amounted to non-compliance and if there was any particular trends in the size of contracts, officers responded that there was variation between small and medium sized contracts. Non – compliance was identified through a number of small issues across a range of audits which built a particular picture.

The Chair thanked officers for the report

The Committee **Resolved** that:

1. The Head of Internal Audit Report 2017/18 (Appendix 1) and the overall Substantial level of assurance of the Council's systems of internal control be Noted.

14/18 **Internal Audit Review of Effectiveness 2017/18**

The Director of Governance presented the report which detailed the effectiveness of the Councils Internal Audit function as directed to be reviewed on an annual basis by the Audit and Accounts Regulations 2015.

The audit looked at levels of implementation of recommendations as well as contractor performance targets. The audit service delivered 100% of the audit plan against key targets for 2017/18. The Council also participated in the CIPFA Audit benchmarking Club 2017 in order to continuously improve its internal Audit service.

A Committee Member commented on the good quality of reporting and the sustainability of effective internal auditing.

In response to a member query on how to address the low level of internal stakeholder feedback, officers stated that engagement continued to be challenging and they would continue to look at ways to increase participation.

The Chair thanked officers for their report.

The Committee **Resolved** that

1. The content of the report be noted.

15/18 **Anti-Fraud Update Report: 1 April 2017 - 31 March 2018**

The Director of Governance presented to the Committee the annual performance report. Members were directed to the performance indicators of the report which highlighted that the team has exceeded its annual target for successful outcomes and the service was delivered in budget for 2017/18.

A Member queried whether the work completed by the team was benchmarked against other LA's, officers replied that this was not currently done as recording of investigations differed amongst LA's. There was currently an initiative in place on data matching across LA's which may provide opportunities for standardisation of recording in the future.

In response to a Member question on availability of a network of managers to discuss best practice, officers stated that there was a network of fraud managers as well a forum where they discussed issues such as current trends as well as best practice.

The Chair thanked officers for the work that had been completed.

The Committee **Resolved**: That

1. The Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2017 – 31 March 2018 be noted.

16/18 **Annual Governance Statement 2017/18**

The Head of Insurance, Risk and Corporate Programme Office introduced the Annual Governance statement which detailed the effectiveness of the Councils Governance.

The Report sets out the values, purpose of the governance framework and how significant issues can be drawn from different sources through the review of the Councils internal systems.

Details of progression on 2016/17 risks and actions taken as well as identified key risks for 2017/18 had been tabled in the report. Steps would be taken to identify new ways to address the matters identified.

The Committee **Resolved** to

1. Approve the Annual Governance statement for the year 2017/18 at appendix 1 to this report in relation to scope of responsibility, purpose of the framework, governance framework detail and review of its effectiveness.
2. Agree the statement on 'outcomes' in relation to 'Issues raised in 2016/17 Statement and progress to date'
3. Agree the significant governance issues identified in relation to 2017/18 and the actions being taken to mitigate those risks.

17/18 **GPAC Independent Non-voting Member Recruitment**

The Director of Governance presented the item and informed the Committee that the Constitution allowed for two non-voting members to be appointed to the Committee.

There was currently one vacancy for a member to provide outside knowledge and experience to inform the audit work of the committee.

A report would be brought back to the Committee to enable a recommendation to be made to Full Council for confirmation of appointment once a suitable candidate had been identified

The Committee **Resolved** to:

1. Approve the process and procedure for appointment of independent non-voting co-opted members of the Committee as set out in Appendix 1;
2. Delegate authority to the Director of Governance, in consultation with the Chair of General Purposes and Audit Committee to:
 - 2.1 commence recruitment by way of advertisement of the vacancy for an independent non-voting co-opted member of the Committee (in respect of audit functions only),
 - 2.2 undertake shortlisting and interviews and
 - 2.3 report the outcome of interviews to the next meeting of the Committee for onward recommendation to full Council for appointment;

18/18 **Exclusion of Public and Press**

This was not required.

The meeting ended at 8.12 pm

Signed:

Date:

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