

General Purposes & Audit Committee

Meeting of General Purpose and Audit Committee held on Thursday, 11 July 2019 at 6.30pm in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Karen Jewitt (Chair);
Councillor Joy Prince (Vice-Chair);
Councillors Pat Clouder, Mary Croos, Stuart Millson, Steve Hollands and Ian Parker (In place of Jan Buttinger)

Also

Present: Councillor Simon Hall (Cabinet Member for Finance)
Richard Gray (Risk and Corporate Programme Officer)
David Hogan (Head of Anti-Fraud)
Simon Maddocks (Head of Internal Audit)
David Phillips (MAZARS)
Lisa Taylor (Director of Finance, Investment and Risk, S151 Officer)

Apologies: Councillors Bernadette Khan, Stephen Mann and Oni Oviri;
Co-optees Muffaddal Kapasi and Nousheen Hassan

PART A

14/19 Minutes of the Previous Meeting

The minutes of the meeting held on Thursday 4 April 2019 and Monday 20 May 2019 were agreed as an accurate record.

15/19 Disclosure of Interests

There were no disclosures made.

16/19 Urgent Business (if any)

There were no items of urgent business.

17/19 Head of Internal Audit Annual Report

The Head of Internal Audit introduced the item to the Committee and reported in summary that the internal control environment of the council had been given substantial assurance based on all the internal audit work carried out in 2018/19. The report detailed all work carried out during the year to support the Annual Government Statement.

One of the requirements of the report was that it should highlight specific areas of weakness that should be carried forward into the Annual Governance Statement. For 2018/19 these were the following:

- Although there continues to be improvements, during the course of internal audit work during the year, a number of issues were identified with contract monitoring and management.
- Internal audit work during the year identified a number of issues relating to financial management within the adult and children's social care teams.
- An internal audit conducted during the year of energy recharges identified some significant weaknesses resulting in circa £4M of recharges being outstanding, a significant part of which related to organisations outside of the council. This resulted in a 'No Assurance' audit report being issued.
- Following a change in legislation during 2018, internal audit identified a number of instances where privacy notices relating to the collection of personal data were missing or were no longer fit for purpose. Also noted that agreements with 3rd parties did not always address this issue adequately.

The Committee **RESOLVED** to:

- Note the Head of Internal Audit Report 2018/19 (Appendix 1) and the overall substantial level of assurance of the Council's systems of internal control.

18/19 **Internal Audit Review of Effectiveness**

The Head of Internal Audit introduced the report, which was reviewed once a year and formed as part of the Annual Government Statement. The Committee heard that the functions carried out which were listed in the report, had been effective, and this was defined by Mazars who were the internal auditors.

Officers further summarised the report highlighting that the Council had undertaken a peer review in 2016 by another borough, which was recommended every 5 years.

Officers highlighted that the Council's target for audit recommendations to date implemented at the time of the follow up, the audit was 80% for priority two and three recommendations and was 90% for priority one recommendations.

The performance for 2018/19 was lower due to the continuation of the ongoing work; however, the numbers would begin to increase.

Table 2 in the report detailed the Internal Audit service performance of 2018/19, which provided a 100% deliverance, and a good performance within the team.

Officers shared that the service had over achieved targets, which was a success, and with a number of good draft reports, on-going work was being completed within a good time.

Officers further reported the outcome of the stakeholder feedback, which was of good satisfaction. The table in the report demonstrated the significant change from previous year and the adverse comments provided were used for learning and improving the service.

Officers were happy with the service and the way audit requirements and budgets had been delivered throughout the year.

Members of the Committee welcomed the report and highlighted the good work achieved by the service accomplishing satisfactory rates in the survey. However, Members noticed that the response rates from customers were low and learned that the benchmark had been low as the survey was a response to a follow up. Staff in the service worked hard to follow up on the feedback received to attain best results, which was important for a standard return rate.

The Committee **RESOLVED** to:

- Review and comment on the Director of Finance, Investment & Risk (interim Section 151 Officer)'s assessment of the internal audit function.

19/19 **Anti-Fraud Update Report**

The Head of Anti-Fraud summarised the performance of the Anti-Fraud service and highlighted that in 2018/19 the service worked hard in strengthening the financial and risk management. This was a good year for the service with increased volume of work undertaken and strengths achieved.

An example of work achieved was around the misuse of disabled parking permits (Blue Badges). The results were of a very good and high quality standard with a tough stance taken and good resource input, and as a result, there were nine prosecutions.

With questions raised by Members of the Committee in relation to the take up of the London Counter Fraud Hub, officers informed that there had been a commitment from all thirty-two London boroughs to sign up, although to date no local authority had taken lead role, as there was still work for completion for a legal contract. As the Hub referred to a subscription, it was proposed for a London paid two-tier subscription. Croydon had not funded any subscription in this year.

Members further heard that CAFT was working with the London Councils, and the London Borough of Ealing was leading the project on behalf of all London boroughs and Croydon Council was piloting the project. Officers found that there were still ongoing work to finalise the contract arrangements. Looking ahead it was anticipated that most of the London boroughs would sign up to the Hub, and as work continued, officers would have a clearer picture in October of the numbers of subscriptions following legal paperwork completion.

Further questions from Members related to key performance indicators and “what a successful outcome looked like”. Officers highlighted that what was defined as a successful outcome was the piece of work that had a positive impact at the end, such as the council property being re-let to another family, or a blue badge being cancelled for misuse, therefore tangible outcome, cash savings and emotional savings.

In response to further queries raised by Members of the Committee on the blue badges and housing, the officers present clarified that:

- The outcome had gone up and the value had gone down as the team worked very hard, and the concentration of the work attracted emotional value.
- The service focused on what effected the residence the most and found that the misuse of blue badges was becoming a problem and the impact on parking misuse was becoming high. Having tackled the problem the affected area had improved.
- Table 2 in the report had shown a breakdown of the outcomes from April 2018 to March 2019 in comparison to the same period in 2017-18 and saw that previously there were twenty-two incidents of blue badged abuse and there had been an increase since. To capture 5 more meant the service had to invest in time and money and this did not seem correct compared to the housing values.
- The problem the service had last year was the number of high quality forged blue badges. Once reported, work was investigated immediately to capture the fraudulent activity. Last year the service provided more penalty charges and other ways in dealing with the matter, which focused around changing behaviours on the offender. The focus and goal this year was to penalise the offender by using the document as a final piece of evidence to present in court. The work around this would implement a different outcome to get to court.
- Of the 19 recovered properties for the value of £342k and 8 recovered properties for the value of £144k, Members learned that the value was set up by the audit commissioner and that the council used a figure of £33k jointly with neighbouring local authority who also claimed emotional value for recovery too.

- The key performance indicators were shown in an accurate value, as the target would be to recover property being occupied by a fraudulent council tenant.
- There were no benchmark across London. The service were using their neighbouring boroughs to join Croydon to have a benchmark value. Looking at the outcomes, the service had dropped from nineteen to eight; there were still eleven homeless families. The service needed to relook at the value and encourage using the resources available.
- There was an amendment to the last sentence in paragraph 5.1 in the local government transparency code where the detailed report covered the period from April 2018 to March 2019. The figures represent a full year.

The Chair welcomed the idea to have a cross-borough benchmark to have uniformity and a better stead.

The Committee **RESOLVED** to:

- Note the Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2018 – 31 March 2019

20/19 **Corporate Risk Register**

The Risk and Corporate Programme Officer presented the risk register covering report to the committee, which highlighted the addition of a risk entry to the corporate risk register with a 'red' rated risk score since the last committee meeting in March 2019:

'The funding levels provided through the Government Grant were significantly lower than forecasted or anticipated, resulting in severe limitations being placed on the Council's Medium Term Financial Strategy'.

The Committee **RESOLVED** to note the contents of the corporate risk register covering report as at 11 July 2019.

21/19 **Scheme of Members Allowance**

The Committee heard that in line with the basic increase of staff pay in which all staff had received, there was an annual increase of the Members' allowances of 2%, which was adopted from the Independent Remuneration Panel Report (IRP).

With further background requested by Members, the Committee heard that the IRP had been in place for twenty years, and every four years they produced a report where remit would be agreed across all parties within each

local borough in London. With the remit set by the IRP, it was considered not contentious.

Councillor Hall added that the Council was under an enormous financial pressure, and as the scheme of allowance went through Full Council last year, the allowance was proposed to be below the wages by the IRP despite this being the largest borough. However, the report presented to the Committee was about the 2% increase. This was set on the national pay award and how it would be implemented in the borough.

The Committee further heard that the level of each allowance to the role carried out was insignificant as the IRP looked to balance all different factors and time councillors would spend, by conducting surveys and average on wages. The whole mechanism on what had been taken into account was within their report.

The Committee **RESOLVED** to:

- To agree an amendment to the current Members' Allowance Scheme to provide for an increase in allowances in line with the annual local government staff pay settlement of 2% and therefore approve the revised Allowances for Members or 2019/20 as set out in Appendix A to this report; and
- To authorise the Director of Law and Governance to comply with the on-going annual publicity of the Members' Scheme of Allowances, which is required, and subject to Members' approval of recommendation 1.1 of this report, the approval of the revised Members' Allowance Scheme as detailed in this report.

22/19 **Exclusion of Public and Press**

This was not required.

The meeting ended at 7.18 pm

Signed:

Date:

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