

Audit & Governance Committee

Meeting of held on Thursday, 30 November 2023 at 6.30 pm in Council Chamber, Town Hall, Katherine Street, Croydon, CR0 1NX

MINUTES

- Present:** Councillor Matt Griffiths (Vice-Chair);
Councillor Claire Bonham, Simon Brew, Enid Mollyneaux,
Nikhil Sherine Thampi and Sean Fitzsimons
- Also Present:** Councillor Mark Johnson (Reserve) and Jason Cummings
- Apologies:** Dr Olu Olasode (Independent Chair)
Councillor Endri Llabuti

PART A

- 31/22 **Disclosure of Interests**
There were none.
- 32/22 **Minutes of the Previous Meeting**
The minutes of the meetings held on;
19 October 2023 and 21 September 2023,
were agreed as an accurate record.
- 33/22 **Urgent Business (if any)**
There were no items of urgent business.
- 34/22 **Audit & Governance Committee Action Log**
The Committee requested the inclusion of the meeting year within the
deadline column.
- 35/22 **Audit & Governance Committee 2023-24 Work Programme**
The Committee received the Work Programme for noting.
- 36/22 **Committee Assurance Mapping**

Dave Phillips, Head of Internal Audit introduced the Committee's Assurance Mapping document and advised that it was to be owned by the Committee to facilitate regular review of the Committee's sources of assurance alongside the Work Programme.

The Committee discussed the wording regarding the Independent Member within the Committee's Terms of Reference. Officers advised that any amendment to the wording would need to be made via the Constitution Working Group (CWG). Councillor Fitzsimons advised of his role as Chair of the General Purposes Committee and advised the amendment could be formally submitted for discussion to the CWG. Councillor Cummings advised the RIPI recommendation from which the appointment of an Independent Chair has stemmed, had been to appoint a Chair who was not from the majority political group, however it had been a Council decision to appoint a completely Independent Chair.

Officers agreed to provide a table within the Assurance Mapping Document with the frequency of reports received by the Committee.

The Committee RESOLVED to;

1. Note results of the mapping of the Committee's terms of reference to the different sources of assurance that it receives and to use this to inform the Committee's forward plan.
2. Agree that going forward, the assurance mapping document be reviewed at each Committee meeting alongside the forward plan.

37/22 Accounts

External Audit Findings Report on the 2019-20 Statement of

Allister Bannin, Director of Finance introduced the reports to the Committee and advised the final updated 2019/20 Statement of Accounts and External Audit Findings Reports were expected at the February 2024 Committee meeting.

Sarah Ironmonger, Grant Thornton provided an overview of Appendix 1 – The Interim Audit Findings Report for London Borough of Croydon 2019-20 available within the agenda report pack. The Committee was advised that the report remained interim due to subsequent events which required inclusion before finalisation.

Jane West, Section 151 Officer thanked Grant Thornton and noted the scale of work undertaken and the agreement now achieved on the Council's position at the end of 2019/20 which provided a firm basis to progress the remaining outstanding accounts.

Councillor Cummings noted the wider discussion on the backlog of financial accounts in the Local Government sector. The Committee heard that as a council with intervention, it was not Croydon's intention to

partake in any expedited process. The decision to complete all accounts in full had been taken to ensure clarity and understanding and the council intended to complete audited accounts for all outstanding years.

The Committee commented on the number of accounting irregularities which had been uncovered and the subsequent negative impact these had. In response to questions from the Committee, the external auditor advised the Opening the Books exercise undertaken by management had supported the progression of modelling to move issues forward. Officers noted the Opening the Books exercise had also provided a basis for discussions with DLUHC regarding the capitalisation direction, and had proved accurate now that subsequent work had been completed.

Sarah Ironmonger, Grant Thornton introduced Appendix 2 – Value for Money Findings Report 2019-20 to the Committee available within the agenda report pack and noted its adverse conclusion. The Committee noted significant reporting on the issues within the report had been received previously. Officers highlighted the importance of the adverse conclusion and advised whilst the Committee was aware of the issues which had led to this outcome in 2019-20, if the council were to receive this conclusion in a future year it would be of significant concern.

Matt Dean, Grant Thornton introduced Appendix 3 – The Audit Findings Report for The London Borough of Croydon Pension Fund 2019-20 to the Committee and noted the positive outcome of the audit.

The Committee queried the progress on the remaining outstanding accounts and the working relationship between officers and the external auditors. Grant Thornton advised the approach was a collaborative one, with willingness from officers to resolve any issues found. Value for money (VFM) audit work was underway for 2020/21 and 2021/22, but the completion process was not expected to be quick due to the complexity of issues.

Cllr Cummings advised the Committee that whilst Croydon was balancing its budget with capitalisation direction, it was not meeting VFM and would not be able to do so until further arrangements were agreed with central government.

In response to questions from the Committee, Grant Thornton advised the report was a summary of findings in 2019-20, following change in the code of practice in 2021 future years would provide a commentary on arrangements.

The Committee RESOLVED to;

1. Note “The Interim Audit Findings Report for London Borough of Croydon” from Grant Thornton UK LLP (Appendix 1) and the management responses to the action plan which are set out within the action plan from page 42 of the report onwards.

2. Note the estimated external audit fees relating to 2019-20 as detailed in the Interim Audit Findings Report and that the final fees will be agreed with the S151 Officer and approved by Public Sector Audit Appointments (PSAA) before payment of the final fees outstanding.
3. Note the "Value for Money Findings Report for 2019/20 (Appendix 2).
4. Note "The Audit Findings Report for London Borough of Croydon Pension Fund" (Appendix 3).

38/22

Risk Register Entries "Deep Dive"

Malcolm Davies, Head of Risk, Anti Fraud and Insurance introduced the Risk Register Deep Dive item for the Committee. Huw Rhys-Lewis, Interim Director Commercial Investment & Property and Scott Funnell, Head of Strategic Procurement & Governance then gave a presentation providing an update on the procurement risk register entries and improvement plans.

The Committee queried whether the council's governance arrangements and constitution could be perceived as a risk in relation to procurement and should be captured in the report. Officers advised the proposed improvements to the systems under the mayoral model would support further efficiencies. The annual procurement plan overseen by the Mayor and Cabinet was reviewed quarterly and had improved the process and provided greater transparency on the letting of contracts.

The Committee noted the improvement plan's alignment with the council's IAP Exit Strategy and asked if there had been consultation with other teams within the council and/or other local authorities' or organisation's best practice. Officers advised consultation had taken place with teams across the council and benchmarking had been undertaken against other local authorities to ensure the proposals aligned with best practice elsewhere. The changes to procurement regulations due in October 2024 had also been considered, which were expected to impact lower value contracts. A flexible approach was being taken to help ensure these regulatory changes would be incorporated into the improvement plans once formalised. A council wide contract management community had launched in Summer 2023, this supported the development of the improvement strategy and ongoing improvement plans. The complex processes in place due to the historical governance issues within the Council were noted. Member's had oversight and input into the improvement plans via the Constitution Working Group which had considered normal practices in other council's and agreed the remodelling of procurement processes in Croydon.

The Committee asked how the improvement plan's actions and success would be measured. Officers advised high level programme dates had been agreed and the next phase would be to set milestones for implementation of actions within the different workstreams. Progress reporting would be taken to the Corporate Management Team (CMT) and Mayors Advisory Board (MAB) meetings for monitoring. The expected output and timescales for the project were being developed in consultation with cabinet members and officers.

Niall O'Rourke Interim Head of Building Safety & Compliance, gave a presentation on the Gas Safety and Heating Contractor risk register entry to the Committee.

The Committee requested the current gas safety compliance data and was advised beginning November 2023 this was at 95.15% (currently at 96%) due to the legacy issues inherited following mobilisation of the new contract. The Committee raised concerns and stated every property should be compliant regardless of a change of contractor.

In response to questions officers advised the challenge regarding 38% of annual safety checks being due in Q1 2023 had been greater due to the previous contractor's exit. The new contractor had started on 1 August 2023 and these checks were prioritised with additional resources deployed to rectify these as soon as possible.

Satisfaction surveys were currently undertaken in house by the council and based upon approximately 300 telephone calls per month to residents.

The issue of residential property access in achieving 100% compliance was noted, the Compliance Team were receiving support from Social Services colleagues for several cases where access to properties was difficult. The Committee heard that the current 95.1% compliance had dropped from 99% in August 2023 due to the contract mobilisation issues, however those residents with overdue inspections were overdue by a short period of months. The target was set at 100% compliance by Christmas 2023 and 98% achievement was anticipated.

The Committee queried the lessons learned from the handling of the mobilisation and subsequent issues. Officers noted the importance and sensitivity of the gas safety contract and advised the need for additional resourcing to rectify issues had been subject to the council's financial constraints. There had been a withdrawal of resources at the end of a previous contract combined with a peak in servicing due. The situation had been challenging and additional resources had been implemented to rectify the issues as soon as possible.

In response to questions officers advised that all customers had been sent a copy of their gas safety check report in June/July 2023, however

the KPI was based on the resident survey response and their knowledge of receipt.

The Committee requested a detailed update on compliance to be included in the risk register entry due to the March meeting.

The Committee RESOLVED, to:

Note the contents of the risk presentations attached in Appendix 1.

39/22

Revenue & Capital Monitoring Improvements

Allister Bannin, Director of Finance provided an overview of the report for the Committee.

The Committee commended the work undertaken to complete many of the external review's recommendations and queried how actions requiring ongoing review would be monitored. Officers advised key areas were the Finance Team's structure, which included new posts focused on systems training and guidance for budget holders and the Oracle Improvement Programme, which would streamline systems and provide consistency. The importance of embedding the adoption of the Oracle systems with staff was noted.

In response to questions from the Committee officers advised the Housing Revenue Account (HRA) finance function sat within the Deputy Section 151 Officers remit and functioned using the same Oracle systems and training. Housemark benchmarking data had indicated in 2022-23 that Croydon had the lowest investment per resident across its statistical neighbours and work was underway to increase this historical underinvestment in areas such as housing repairs and maintenance. Housing stock condition surveys and improved data from the housing NEC system were informing the updated HRA business plan due to Council in February 2024.

The Committee requested assurance that there was separate reporting focussed on the HRA. Officers advised there would be separate reporting on the HRA business plan and rent setting provided to Cabinet and available to the Scrutiny and Overview Committee functions.

Councillor Cummings commented on the lessons learned from the historically insular approach within Croydon and advised of the council's intention to integrate external challenge and benchmarking through the utilisation of initiatives such as LGA corporate peer reviews.

The Committee RESOLVED, to:

1. Note the update on progress against recommendations from the Opening the Books external review, as detailed in Appendix 1.

2. Note the Capital Framework Improvement Plan, attached as Appendix 2.
3. Note the update on progress against recommendations from the Capital Framework Improvement Plan, as detailed in Appendix 3.
4. Note that a further update to Audit and Governance committee is planned for April 2024 which will include a prioritisation of outstanding actions at that time.

40/22
22

Sales, Fees and Charges Compensation Scheme 2020-21 and 2021-

Jabin Jiwa Finance Manager introduced the report for the Committee.

In response to questions from the Committee officers advised the parameters of the scheme had allowed for approximately 75% reimbursement of losses and it was noted there had been other government support available to councils in response to the Covid-19 pandemic.

The Committee RESOLVED, to:

1. Note the details of the compensation received from the Sales, fees and charges scheme for the financial year 2020-21 and the first quarter of 2021-22.
2. Note that a reconciliation was carried out and the income received is in line with the losses incurred and claimable and that the grant for these losses has been received.

41/22

Internal Audit Update

Dave Phillips Head of Internal Audit introduced the report for the Committee.

The improved scheduling of audits and engagement in the process by CMT was noted. There had also been improvements to the resolution of older outstanding Internal Audit actions which had been raised as an area of concern by the Committee earlier in the year.

In response to questions from the Committee officers advised the assurances from audit reports were currently in line with previous years and whilst there had been culture change in senior management towards internal audit there was ongoing work to improve this in other areas of the organisation.

The Committee queried if there were particular areas of concern within the priority issues listed in the report. Officers advised rather than focussing on internal audits findings, the emphasis was around the

willingness to make improvements and this was happening at a faster rate than previously.

The Committee requested clarification on the impact of external partners regarding the SLWP Income Collection and Payment of Funds (Limited Assurance) priority issue. Officers explained the invoicing for some services was incorrectly resulting in the payment of VAT by Croydon and there was disagreement between the other local authority partners on this issue.

The Committee RESOLVED, to:

Note the work completed by Internal Audit so far during 2023/24 and the progress made by the Council in resolving findings arising from audits.

42/22

Mid Year Treasury Management Update

Matt Hallet, Pension Fund Investment Manager introduced the report for the Committee.

The Committee queried the impact of the report on the revenue account and budget setting. Officers advised the position for the budget setting process and the Medium Term Financial Strategy (MTFS) were regularly updated based on the asset disposal activity and changes to interest rates.

The Committee queried the council's risk approach to interest rates and borrowing. Officers advised £50 million was held by the council to meet payment requirements (BACS, Payroll etc.). Whilst the asset disposal programme reduced the level of debt, it was also utilised for the capitalisation direction, which limited the council's ability to reduce external debt. The need for a resolution to this issue was being discussed with DHLUC.

Officers commented on the importance of risk management and noted the inclusion of the best and worst case scenario figures within the MTFS. Croydon had taken a middle ground approach and all risk factors would be explored during the budget setting process. Members would then decide if the recommendations aligned with council's risk profile. The availability of benchmarking figures for the risk assumptions made by other local authorities was noted.

The Committee queried whether Croydon was subject to higher interest rates than other councils due to its financial position. Officers advised this was the case if refinancing in the local government market, however PWLB was being utilised more across the sector and Croydon had refinanced with PWLB at the certainty rate.

The Committee RESOLVED, to:

Note the contents of the mid-year report on the treasury management activity for 2023/24.

The meeting ended at 8.57 pm