

## Audit & Governance Committee

Meeting of held on Thursday, 14 March 2024 at 6.30 pm in Council Chamber, Town Hall,  
Katherine Street, Croydon, CR0 1NX

### MINUTES

**Present:** Dr Olu Olasode (Independent Chair)  
Councillor Matt Griffiths (Vice-Chair);  
Councillor Kola Agboola (Reserve), Claire Bonham, Simon Brew, Mark Johnson (Reserve) and Nikhil Sherine Thampi;  
David Clarke (Independent Member)

**Also Present:** Councillor Jason Cummings (Cabinet Member for Finance)

**Apologies:** Councillors Endri Llabuti and Enid Mollyneaux

### PART A

52/24 **Disclosure of Interests**

There were none.

53/24 **Minutes of the Previous Meeting**

The minutes of the meeting held 1 February 2024 were agreed as an accurate record of proceedings.

54/24 **Urgent Business (if any)**

There were no items of urgent business.

The Independent Chair varied the order of business to consider Item 13. I.T Control Audit Report as the final item of the agenda, to enable the exclusion of the Press and Public for the consideration of the Part B Appendix to the report.

55/24 **Audit & Governance Committee Action Log**

56/24 **Audit & Governance Committee Work Programme & Assurance Mapping Document**

The Committee noted the 2023-24 work programme for the remainder of the municipal year alongside the Committee Assurance Mapping document. It was noted that the 2024-25 Committee Work Programme was expected at the April Committee meeting.

57/24 **Financial Statements 2019/20 - External Audit Findings Report**

Jane West, Section 151 Officer introduced the 2019/20 Accounts and External Auditor report to the Committee. There had been further amendments since the Committee received draft reporting in July 2023 the details of which were included in the reports.

The completion of the 2019/20 Financial Accounts provided clarity on Croydon's financial position and formed a base from which the council could continue the process of completing subsequent years' financial statements. It was noted the council still did not have any general reserves. As part of the council tax setting the council's request to the Department for Levelling up, Housing and Communities (DLUHC) to undertake further capitalisation direction for £9.4 million had been agreed, to enable completion of the final corrections in relation to the contractor dispute.

The council had received a 'Disclaimer' External Audit opinion for the accounts due to the outstanding police investigation. There was some final work to be done with Grant Thornton to sign off the accounts and receive certification.

Sarah Ironmonger, Grant Thornton provided the Committee with a summary of the report. The final adjustment equated to £200 million of additional expenditure in the 2019/20 accounts. Grant Thornton had issued a 'Disclaimer' opinion due to the ongoing police investigations following the RIPI 2 and Kroll reports, and the unknown outcomes of this investigation. It was noted that a 'Disclaimer' opinion was a rare occurrence and was undesirable to the council.

The 'Emphasis of Matter' section of the report drew attention to where valuations with material uncertainties had been included in the council's accounts due to the lack of an observable market during the Covid-19 pandemic lockdown. The inclusion of this had been standard audit practice across local authorities. The 'Adverse' audit opinion regarding value for money and the completion of statutory duties were also included.

The Committee queried the impact of the 'Disclaimer' opinion on future accounts. Grant Thornton advised the expectation was that a 'Disclaimer' opinion was also likely for the 2020/21 accounts due to the matters under police investigation continuing into the 2020/21 financial year. Whether these factors had gone away would be considered and if so, the 'Disclaimer' opinion would only appear on the opening balances for 2021/22. Therefore it was anticipated that 2022/23 would be the first year to be considered with 'clean opinion'. It was usual practice for a 'Disclaimer' opinion to take three years to clear in this manner.

Cllr Jason Cummings, Cabinet Member for Finance commented on the significance of the completion of the 2019/20 accounts. It was expected to take several years to reach a normal cycle of reporting for the council's accounts whilst subsequent years were completed. The judgements included in the External Auditor's report had been anticipated and were not

expected to have a significant impact. The efforts and input to reach the completion of the 2019/20 was noted and thanks were given to those involved. The importance of completing 2019/20 to enable the council's completion of subsequent years' accounts to provide assurance on the council's finances was reiterated.

In response to questions from the Committee, Grant Thornton confirmed the 'Emphasis of Matter' had also applied to pension funds due to the same uncertainty about valuations.

The Committee queried the value of the journals relating to the statement included on page 20 of the report which cited officers having posted journals without rationale or explanation. It was advised the value of these had been significant, relating to the technical accounting of Croydon Affordable Homes. There had been rationale for the journals, however this had been complicated and was not understood by officers. It was noted the journal policy had been reissued to ensure officers kept correct records.

The Committee queried if there would be a broader impact of the 'Disclaimer' opinion, for example whether it would prevent the council from applying for grant funding or carrying out certain activities. Officers advised it was a rare occurrence and was therefore hard to know the implications. Not having signed off accounts had already had implications with contractors, partners and government departments who had requested sight of the council's accounts. The completion of the 2019/20 accounts was an improvement to that position and it was hoped this would lessen any adverse implications.

It was noted that Item 8. Financial Statements 2020/21 was included at Item 7. Financial Statements 2019/20 – External Audit Findings Report, Appendix 3.

Paul Dossett, Grant Thornton introduced the report for the Committee and explained the Government's consultation on proposals to introduce a backstop for local authority audited accounts. The proposals would introduce a framework to ensure all existing accounts were signed off by 30 September 2024 and the Government guidance would require auditors to disclaim, qualify or sign off all previous sets of accounts by this date. The Government's intention was to bring local authority accounts and auditing up to date. The potential introduction of government imposed statutory disclaimers was noted. There were ongoing discussions about the plans working in practice, for example the work required by external auditors to start from a disclaimed position on opening balances for the 2023/24 accounts.

Croydon's special circumstances and therefore what would be in the public interest regarding the completion of its accounts in full, was under consideration. With the proposed deadline only 6 months away it would be impossible for the 3 years outstanding accounts to be completed by this date. Grant Thornton appreciated the public interest in the completion

of the subsequent year's audits in a thorough and normal way, to provide assurance to residents and members. However, the approach taken for Croydon would be a Government decision.

It was advised that the Value for Money (VFM) external audit work was complete up to 2022/23. The 2022/23 report was expected at the April meeting of the Committee. The Committee noted this item had been deferred to the April meeting with the agreement of the Independent Chair.

It was noted the council's response to the Government consultation had been circulated to members.

Cllr Cummings advised it was essential for the council to have full and comprehensive understanding with external opinion and judgement of all the previous year's finances. Beyond the accounting, issues from those years were regularly referred to both politically and by residents. Having an independent and external view on those years would provide clarity for staff and residents providing surety and lessons learned.

Katherine Kerswell, Chief Executive advised that the independent external auditing of local government expenditure was extremely important due to council's position as locally democratically accountable public bodies. The council needed to regain the trust and confidence of the people of Croydon and the completion of its audited accounts would be a fundamental part of this.

The council had made a special request to the National Audit Office (NAO) and had discussed the exemption for other local authorities where there were serious issues such as in Croydon.

The completion of the council's accounts was included the council's Improvement and Assurance Panel (IAP) Exit Strategy and if an extension were granted this would require review.

The Committee queried the value of starting an external audit process but not achieving completion due to the backstop and receiving a 'Disclaimer' opinion. Officers noted there was serious concern regarding unaudited accounts. Croydon in collaboration with the IAP and Grant Thornton had written to Government explaining the council's position and the requirement to complete auditing of the accounts.

In response to questions from the Committee, Grant Thornton advised the auditing of 2020/21's accounts would be completed before the backstop date. However for the financial years 2021/22 and 2022/23 it would take approximately 6 months per audit and even with an extension this would likely run against the subsequent year's backstop. Croydon would likely be required to be given extensions until 2025/26.

The Committee thanked officers for the well expressed letter to Government and advised of its support for its contents. The importance of completing all accounts for Croydon was reiterated and it was suggested that if a small proportion of councils were granted exemptions this would not have any significant impact.

Officers expressed their gratitude to Sarah Ironmonger for her work at Croydon.

The Committee RESOLVED, to:

1. Delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the 2019-20 Council accounts, including Pension Fund accounts (Appendix 2)
2. Delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the letters of representation to Grant Thornton LLP for the Council and Pension Fund
3. Note the 2019-20 Audiat Findings Report for London Borough of Croydon and recommendations made (Appendix 1) 2.4 Note the External Audit Plan for 2020-21 (Appendix 3)

58/24

### **Financial Statements 2020/21 - External Audit Plan**

Please refer to the minutes for the Item. 7 Financial Statements 2019/20 – External Audit Findings Report.

59/24

### **Auditors Annual Report - 2022/23**

With the agreement of the Independent Chair this item was deferred to the April 2024 meeting of the Audit & Governance Committee.

60/24

### **Gas Safety Contract Risk Deep Dive Update**

Sue Hanlon, Interim Director of Housing, Assets & Repairs provided the Committee with a presentation on the Gas Safety Compliance available within the Supplementary Agenda Gas Compliance Update.

The Committee noted the progress was encouraging and commended the innovative improvements such as Saturday appointments. It was queried whether there were learnings to be applied from the demobilisation and mobilisation of the contracts to ensure these issues did not reoccur, if the learning around contract management could be shared with other services and via what mechanisms. Officers advised that, following a review of Heating Repairs demand, the volume initially tendered for by

K&T Heating Services Ltd (K&T) had been significantly less than required. Therefore, the contractor had insufficient resources to manage both the Landlord Gas Safety Responsibilities (LGSR) and heating repairs programmes in the first three months of mobilisation. The contractor had now employed additional engineers, and this was improving compliance and the target turnaround time for heating repairs. Information had been shared via the council's Strategic Contracts Management Team.

The Committee queried the specific reasons for the 100% compliance target not being met. Officers advised the volume of LGSR certificates due between August 2023 - October 2023 had been the key issue and caused the scheduling of appointments to fall behind. The process for contacting residents usually commenced 70 days before the LGSR due date to ensure completion at around 10 months where possible. This process was now in place with tenants due in June 2024 receiving initial letters. The introduction of QR codes and the K&T's online portal had also improved the appointment scheduling process.

The Committee asked if there had been any legal penalties for non-compliance. Officers advised the regulator monitored compliance very closely and the expectation was for the council to be at or very close to 100%. There was a push to achieve the highest compliance possible by the end of March 2024 for the regulatory return submission and to ensure customers were being kept safe.

In response to questions from the Committee, officers advised that gas safety checks were untaken on all voids and that the Gas Safety Compliance Team worked closely with the Tenancy Management Team to resolve issues such as empty properties and to provide support with access issues. Some Croydon schemes had heat pumps, these required annual servicing and work on this was being progressed through the appointment of a sub-contractor to oversee renewable energy compliance.

Officers advised if the contractor missed an appointment Croydon could counter charge to provide a goodwill gesture of £15 to the resident, these penalties would be introduced from April 2024.

61/24

## **Anti Fraud & Corruption Strategy**

Malcolm Davies, Head of Insurance, Anti Fraud and Risk introduced the report to the Committee. The Anti Fraud and Corruption Strategy had last been reviewed by the Committee in 2021, since then the Counter Fraud shared service between Croydon and Lambeth had been established and delivered significant benefits.

Michael O'Reilly, Head of Counter Fraud, Counter Fraud Shared Service for London Borough of Lambeth and London Borough of Croydon joined the meeting remotely to provide an update on anti-fraud and corruption activity at Croydon and the updated strategy. The strategy had been updated to reflect the shared service arrangements and to align with the Fighting Fraud and Corruption Locally Strategy. Prevention was a new area of focus for many Local Authorities and prevention activity had been introduced in Croydon. This included reviewing 'Right to Buy' and tenancy succession applications and in 2023 the introduction of Cifas checks for new staff. A Fraud Prevention Officer post had also been introduced to focus on prevention work within services.

In response to questions from the Committee, officers advised the prevention activity's impact was difficult to measure but was financially beneficial in comparison to investigations. The committee suggesting the introduction of benchmarking data for this area.

In response to questions from the Committee, officers advised high risk services subject to fraud risk assessments were those providing council services where there were potential benefits to making a fraudulent claim. The identification of high risk areas within specific service areas was done collaboratively with lead officers.

The Committee queried the strategy's interaction with areas such as corporate fraud, misappropriation of funds and poor procurement practices. It was advised this area of mitigation was a function of the Fraud Prevention Officer. Data analytics were also utilised, for example the London Fraud Hub provided on demand data matching, which supported prevention activities.

The Committee queried the process for contractors' staff to contact the council regarding fraud and asked if they received any induction around this. It was advised that contractors were responsible for their own staff and these expectations were set out clearly. Good working relationships with contractors supported this however their individual staff could also utilise council reporting initiatives such as the whistleblowing process.

It was advised there were various methods for staff to raise concerns including; the whistleblowing process, a telephone hotline, a team email account and an online referral form. The Committee commented that the organisation's culture should allow for staff to feel able to report concerns without going through the whistleblowing process. The council's Guardians Programme, Internal Audit, the Anti-Fraud intranet page and the mandatory fraud awareness training for all officers were noted.

Dean Shoemith, Chief People Officer commended the Cifas initiative.

The Committee noted reporting on the effectiveness of the strategy would be included in the regular Anti-Fraud Reporting to the Committee with the Annual Anti-Fraud Report due to the April Committee meeting.

The Committee RESOLVED, to;

1. Approve Croydon's refreshed Anti-Fraud & Corruption Strategy.

62/24

### **Core Business Systems Assurance Review Update**

Jon Martin, Interim Head of Specialist Systems introduced the report for the Committee. The Oracle Improvement Programme Update Report brought to the Committee in October 2023 had prompted the Committee's request for this report to seek assurance around the other core business systems across the council.

It was advised that 50% of the council's core business applications were supported by services and not the central I.T function, therefore it was key to have governance processes in place to manage this complex picture. The introduction of the Digital Internal Control Board had championed improved governance of I.T systems across directorates and work was continuing to make further improvements.

The Committee asked if officers were comfortable with having 50% of systems managed by services rather than I.T staff. It was advised there was a need for improved demarcation of responsibilities. The increasing use of cloud-based technology where infrastructure was managed by external companies was noted. Work to improve the support model and tackle inconsistencies in support and standards would be undertaken during the first quarter of the work plan and the review of the strategy would make clear the responsibilities of the central IT function.

Katherine Kerswell, Chief Executive commented on the importance of rationalising the council's I.T systems and advised this would be a key area improvement. The Digital Internal Control Board now oversaw the procurement of new systems, which had prevented unneeded purchases and provided improved oversight. Data protection and management had also been considered and provided additional control over systems.

Within the context of Croydon's innovation and transformation plans the Committee queried how systems improvement would be prioritised and whether current systems were able to deliver these ambitions. Officers advised that an independent benchmarking exercise had been undertaken with other London boroughs and Croydon had placed third lowest for technology spend, there had also been years of underinvestment.

In response to questions from the Committee it was advised there were creative staff capabilities within I.T however capacity was an issue. Implementation of I.T systems required broader work to bring business processes, staff and data together to create real improvements.

Cllr Jason Cummings, Cabinet Member for Finance noted the council intended to take an adopt not adapt approach to systems and the lessons learned from Birmingham council were noted. Digital innovation would become a council wide discussion and be clearer as part of the cultural transformation strategy. Croydon was intending to embrace new technology and ways of working. The Governance of Transformation report due to the Committee in April would cover the governance and assurance around these plans.

The committee requested 6 monthly reporting updates on the Core Business Systems Assurance Review.

The Committee RESOLVED, to:

1. Note the scope, measurement approach, and work undertaken to date.
2. Consider whether the measures described and proposed work plan for 24/25 provide acceptable level of confidence to address the Committee's request for assurance.

To agree that updates shall be presented at least annually to committee to allow for ongoing monitoring

63/24

### **I.T Control Audit Report**

The Independent Chair varied the order of the agenda and this item was considered as the final item, see (54/24).

**RESOLVED** that members of the Press and Public be excluded from the remainder of the meeting under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined in Paragraph 3.

64/24

### **Internal Audit Annual Plan, Strategy and Charter**

Dave Phillips, Head of Internal Audit introduced the report for the Committee which included the Internal Audit Plan for 2024/25, a review of the Internal Audit Charter, as required by the Public Sector Internal Audit Standards, and the Internal Audit Strategy, which set out the delivery plans for Internal Audit's work.

The Independent Chair advised the Committee it should ensure the plan covered the areas in which the Committee required assurance. The

Independent Chair had raised risk management and testing, testing of transformation's impact and the trajectory of the IAP Exit strategy with the Head of Internal Audit.

Considering comments made by the External Auditors regarding its difficulty in accessing information in previous years, assurance was requested that Internal Audit had unrestricted access to information or meetings as required. Officers confirmed they had direct access to the council's senior officers, CMT and the Statutory Officers meeting. Internal Audit had access to documents or council assets as required and had direct access to the Independent Chair of the Audit and Governance Committee.

The Committee commented that whilst the Internal Audit Plan was risk based, where the significant risks faced by the council were addressed had not been clear and the independent assurance provided by Internal Audit around those issues should have been included. Coverage of previous years' internal audits would have been useful, along with further detail of the scope of each proposed audit. The inclusion of performance measures was also suggested.

Where elements of the council's business plan such as the sale of assets involved risk, it was suggested that Internal Audit could provide assurance in these areas.

A discussion around the details of implementing best practices in Internal Audit was suggested and officers agreed to utilise the internal audit contingencies to include property sales to provide assurance on this area to the Committee. It was advised that performance metrics were included in the quarterly update reporting. The internal audit plan was not cyclical in nature, with each area considered afresh each year, however the previous years' audits could be included for information.

The Committee requested more narrative to be included to provide justification for the areas prioritised in the plan and to provide explanation of how these linked to the key areas of assurance required by the Committee. Officers agreed to provide the Committee with narrative on the scope of each audit and to circulate the previous years' audit plan for information.

The committee RESOLVED, to;

Approve the Internal Audit Charter (Appendix 1), Strategy (Appendix 2) and the plan of audit work for 2024/25 (Appendix 3) subject to the above actions.

## **People & Cultural Transformation Update**

Dean Shoesmith, Chief People Officer, introduced the report for the Committee and noted the considerable staff engagement in the developing and embedding the People and Cultural Transformation

strategy. Detailed updates on activities undertaken were included in the report and officers provided an overview to the Committee highlighting:

- The well received delivery of management training by ACAS focussed on handling grievance and disciplinary investigations
- Leadership and management development programme proposals
- The council's 0% gender pay gap
- Key senior appointments from underrepresented groups
- Improvements to reasonable adjustments provision
- The launch of Black on Board and The Women's Leadership Programme initiatives as positive action talent development
- The council's award of Menopause friendly accreditation
- The council's reduction of sickness days
- The launch of the 'Make time to take time' staff wellbeing campaign
- Improvements to the council's online induction programme and plans for the development of an experiential induction programme
- Simplification of the staff appraisal process aiming to improve performance management
- The relaunch of staff recognition campaigns, including long service and staff awards for excellent service
- Simplified recruitment processes, including plans to adopt Oracle Recruitment Cloud (ORC) and improvements to online recruitment practices
- Croydon Young Staff Network establishment and engagement
- The council's national graduate management programme and staff apprentice intakes
- Retention of the Mayor of London Good work standard and the recent submission for excellence level accreditation

Benchmarking data had been provided as requested by the Committee. Officers advised the February 2024 workforce board data had been shared with the IAP which had been satisfied with the progress being made.

Cllr Jason Cummings commented that due to the council's intervention status, attracting and retaining staff was compromised and therefore the delivery of the People and Cultural Transformation Strategy was key in countering recent history. It was felt that the debate regarding senior officer pay reductions at Council had been disappointing. There had been successful recruitment of senior officers and positive feedback from staff about Croydon as a workplace.

The Committee requested clarity on the percentage targets and deadlines included within the action plan. Officers advised SMART reporting was being developed and staff surveys and pulse surveys in line with the strategy pillars would provide metrics for measuring improvements. Impact measurement would be added to the action plan to illustrate progress. There was a combination of existing baseline data and new areas where this would be built. There were variables in which actions

would provide which impacts however this would be tracked as much as possible.

In response to questions officers advised there were a number of additional accreditations the council would like to achieve such as the Race at Work Charter and Stonewall, however these pieces of work would take time.

Extensive staff engagement had been fundamental in the development of the strategy and action plan and was included within the Equality, Diversity and Inclusion pillar of the strategy, with over 250 staff actively participating in the development. The staff networks and unions had regular meetings with the Chief People Officer which provided the opportunity for them to feed into the strategy and action plan, and to provide employee voice regarding the actions taken and the impacts.

The quality of the strategy was commended. In response to questions around the ability of the council to deliver the scale of work required, officers advised whilst the plans were extremely ambitious it was owned by the organisation as a whole and the strategy was a working document subject to regular review and measurement.

The link to the wider transformation work was noted, the Committee commented that it required assurance that the correct actions were in place to drive the change required.

The committee RESOLVED, to;

1. To receive an update on the People and Culture Transformation Strategy 2022-2026 development and action plan
2. To note the achievements to date, work in progress, planned actions, and the contents of the report and Action Plan

The meeting ended at 9.20 pm