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Audit & Governance Committee

Meeting of held on Thursday, 2 February 2023 at 6.30 pm in Council Chamber, Town Hall, Katherine Street, Croydon, CR0 1NX

MINUTES

Present: Olu Olasode (Independent Chair);
Councillor Matt Griffiths (Vice-Chair);
Councillor Claire Bonham, Simon Brew, Patricia Hay-Justice and
Endri Llabuti

Also Present: Councillor Sean Fitzsimons

Apologies: Councillors Sherwan Chowdhury and Nikhil Sherine Thampi

PART A

31/22 **Disclosure of Interests**

There were no declarations of interest in relation to any agenda items.

32/22 **Urgent Business (if any)**

There were no items of Urgent Business.

33/22 **Internal Audit Update**

Dave Philips, Head of Internal Audit introduced the report for Members.

In response to questions, Officers explained that the Corporate Management Team (CMT) had received the Internal Audit Update report and a CMT focus group to review longstanding audit actions was held the following week, to ensure completion where possible. It was noted that some actions with more complex issues took longer to resolve and could require additional resource to be brought in. It was also explained that the ideal target for recommendation follow ups would be for prior years to be cleared and only the current and previous year follow ups being actioned. Officers explained that follow ups would remain on the report until these were resolved or were no longer relevant due to a change in circumstance. Officers agreed that recommendations which continued to be blockers following the CMT focus group meeting could be escalated to the committee to encourage progress from lead officers. The Committee Chair requested an exception report from CMT regarding their response and actions to the longstanding Internal Audit recommendations.

The Committee raised concerns regarding the 2018/19 Energy Recharges recommendations, particularly in relation to schools' debt, the impact of

this on the Council's budget and third parties' ability to pay. Officers explained this historical issue had been communicated to the third parties involved and resourcing was being brought in to complete this work. The Committee requested assurance on whether the schools and other third parties would be able to make the payments. Officers explained those conversations and negotiations would be part of the work programme, and that the project was expected to be completed within the next year. Officers agreed to bring quarterly reporting to the Committee to update on progress.

The Committee queried the Council's capability to complete the Lettings and Allocations Assessment recommendations which remained 33% resolved. Officers explained this had been picked up on by the Corporate Director for Housing, the data protection issues were being explored and the turnaround time recommendation was predicated on the launch of the new Housing I.T system expected in May 2023.

In response to questions Officers explained the 'Implementation of Priority 1 Recommendations and Follow up Table' for members, stating that it was usual for recent years to have lower completion percentages, increasing each year as follow ups were completed.

The Committee raised concerns about there not being a formal timeline target to achieve the 90% completion and suggested that it would be useful to have this. Officers agreed that a more aspirational target to achieve the 90% completion would be considered in next year's Internal Audit Service Plan.

The Committee raised concerns about the outstanding issues in Expense Claims audit follow up and requested the average value. Officers explained overall it had been approximately £250k per year and that following the Audit, the Expense Claim Auditor had been turned on within the expense approval software which routed approvals to a second approver from CMT, Internal Audit (IA) or HR. Officers advised a follow up Staff Expenses Audit would be included in the next year's Service Plan.

RESOLVED, to note the Internal Audit Report to 31 December 2022.

34/22

Corporate Risk Register

Malcolm Davies, Head of Insurance, Anti-Fraud and Risk introduced the report for Members.

In response to questions Officers confirmed that current risk ratings took account of the current control actions and the future risk ratings of future control actions. It was also noted that due to the nature of some risks, their future ratings inevitably remained high.

The Committee queried whether the 'future' risk rating point had a specific timeframe attached and if it was possible to have more structured parameters around this. Officers explained this was typically reviewed within a 12-month time frame, with future control actions expected to have realistic dates in place to manage their implementation.

The Committee requested the Lead Officer to bring back the previously shared dashboard which illustrated the movement of risks to the next meeting.

The Committee queried the relevance of the final impact narrative point attached to Risk CIC0005; Officers agreed to review this.

The Committee suggested Risk FIR0061 should be considered as a permanent risk due to the External Auditor's ability to review something that had previously been written off. Officers explained that if added to the Risk register as an ongoing risk it would unlikely be at a Red risk level and agreed to consider this addition to the register.

Paul Goddard, Interim Chief Digital Officer provided a Risk Deep Dive presentation for members on Risk CDS0003.

RESOLVED, to: note the corporate risk register as at January 2023 and receive the risk deep dive presentation.

35/22

Section 114 Notice Assurance

Jane West, Corporate Director of Finance and Section 151 Officer provided an overview of the S114 Action Plan (Appendix B) for Members.

Officers advised the Committee the Council was still awaiting a response from the Department for Levelling Up, Housing and Communities (DLUHC) regarding its proposals which would enable completion of the Budget setting process. It was noted the 2023/24 budget would be published on 14 February.

In response to questions Officers explained the Council Tax and Business Rates collection rates had been downgraded due to the anticipated impact of ongoing external economic difficulties. This would continue to be monitored monthly.

The Committee raised concerns regarding the financial assurances and reliability of figures, due to previous instances e.g. Croydon Affordable Homes (CAH) which despite having had internal and third-party assurances at the time, had financial issues later on. Officers explained that external auditors should not be used for assurances as their work is retrospective and regarding CAH not enough external involvement was sought at setup.

The Committee requested assurances on the resolution of the legacy financial issues and asked whether there were financial control issues yet to be found. Officers explained that the completion of the External Audit of previous years' Annual Accounts would provide greater assurance and noted the budget setting process had been completed in conjunction with directorate teams to ensure accuracy.

The Committee raised concerns about the transparency of the budget setting process, with no pre-decision scrutiny able to take place prior to its presentation to Cabinet and no year-round oversight of the budget monitoring processes. Officers explained the issues which caused delays in the budget setting process earlier in the year and advised of the intention to ensure the budget setting data would be circulated in January in coming financial years. It was also explained that the transformation plan being developed would provide a 3-year budget projection.

In response to questions Officers explained that if the information from DLUHC was not received an estimate would need to be submitted.

The Committee noted the intention to invite the Chair of the Scrutiny & Overview Committee to the Committee's Finance and Assurance Mapping training sessions.

RESOLVED, to note, consider and comment on the assurances provided by the Corporate Director of Resources in relation to the areas raised by the Independent Chair of the Audit and Governance Committee regarding the issuance of the S114 Notice.

The meeting ended at 8.35 pm