

General Purposes & Audit Committee

Meeting of General Purpose Audit Committee held on Tuesday, 17 March 2020 at 6.30 pm in F10, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Karen Jewitt (Chair);
Councillor Joy Prince (Vice-Chair);
Councillors Mary Croos and Patsy Cummings (In place of Stephen Mann)

Also

Present: Councillor Simon Hall
Catherine Black, Head of Payments, Revenues, Benefits and Debt, Finance
Investment and Risk
Malcolm Davies, Head of Risk and CPO
Ian Geary, Head of Corporate Finance
Sarah Ironmonger, Grant Thornton
Simon Maddocks, Head of Internal Audit
David Phillips, Mazars

Apologies: Councillors Pat Clouder, Bernadette Khan, Jan Buttinger, Oni Oviri,
Stuart Millson and Steve Hollands and Muffaddal Kapasi (Co-Optee)

PART A

10/20 **Minutes of the Previous Meeting**

The minutes of the meeting held on Monday 13 January 2020 were agreed as an accurate record.

11/20 **Disclosure of Interests**

There were none.

12/20 **Urgent Business (if any)**

There were no items of urgent business.

13/20 **Grant Thornton - Audit Plan**

Lead officers from Grant Thornton spoke to the report of the Audit External Plan and summarised the planned work to undertake before issuing the opinion.

The significant risks were explained. The main subsidiary was the brick by brick company, and audit approach was explained. Officers informed that the service were able to rebut the revenue recognition; and officers noted that the material level had also been reduced.

In relation to value for money, officers noted the significant risks on financial sustainability following last year's adverse conclusion, the previous Ofsted Inspection assessment and Governance of the Authority's Alternative Delivery Models.

Members noted that the Ofsted's recent inspection for the local authority was rated "Good" which was a remarkable turnaround from the inadequate rating in previous years.

In response to Members questions relating to Covid-19, officers informed there were a number of identified issues that impact on the audit and that the Council took responsibility to continue to provide services to the community. Further, there were a lot of uncertainties in meeting deadlines, as the CLG's government statement detailed had moved to later in the year for auditing due to the unusual situation.

In response to Members questions relating to the clarity in the timing of the audits, officers commented that they would be required to re-arrange their planning which would depend on sickness levels both in the finance and audit teams, and they were working to meet the revised statutory deadlines.

Officers referred to the External Audit Plan for Pension Fund report which mirrored the External Audit Plan report. The significant risks identified (in page 37 of the agenda) and value for money conclusion did not apply to the Pension Fund.

The Committee **RESOLVED** to agree the reports.

14/20 **Mazars - Housing Benefits**

Officers present spoke to the Mazar report which was appointed in 2018/19. The process set out was issued by pensions.

Officers informed in summary that the housing benefit audit was worth £167 million.

In quality assuring their work, officers conducted a random sub-testing including additional testing from previous audit. In the cases tested, of the

random sample, no errors were found; though they had identified some errors in the additional testing. The issues were within the housing revenue account, where there were classification of over payment system issues:

- The value of the overstated overpayments identified was £2,237.
- There was also an over payment to a value of £408. This has since been rectified.
- In one case, earned income was incorrect in determining housing benefit. This was to the value of £279. There were £23000 less in reclassifying payments. The department had received £2000 in more subsidy.

In response to Members question relating to the money paid out and subsidy, officers informed that where they had paid supported residences, they received a certain amount. The amount of subsidy loss where they could not claim balance was between £1.5 and £2 million in any one year, which was quite substantial.

The Chair suggested for the subsidy to be changed to clarify correctly.

The Committee **RESOLVED** to note the report.

15/20 **Internal Audit Charter, Strategy and Plan**

The Head of Audit spoke to the report. The Charter and Strategy were unchanged from last year.

The officer referred to appendix three in the report which was the proposed plan of work for next year.

In response to questions raised by Members relating to a recent internal case of fraud, officers informed that the case was investigated by the Fraud Team and audits were conducted subsequently. Officers were satisfied that the controls were now being operated properly.

In response to questions raised by Members relating to payments which were shown as corporate risk audits (in page 67 of the agenda), specifically ad hoc payments, officers informed that the normal approach was for a supplier to be set up and to receive an invoice. It was noted that this was not always possible and there were a number of payments which had been made in a different way. Following the changes to “My Resources”, the new finance system, in May 2019, payments were working better. In addition the ad hoc payments concept was a new facility and officers wanted to be sure it was working correctly.

The Committee **RESOLVED** to:

- Approve the Internal Audit, Charter, Strategy and the plan of audit work for 2020/21.

16/20 **Internal Audit Update Report**

The Head of Audit spoke to the report and highlighted the progress and summary of the findings.

The officer highlighted that 50% of the individual reports had received limited assurance, which was likely a result of the constraints within the organisation and was the continuation of a trend over recent years.

The progress against the audit plan in detail highlighted that in terms of managing expectation, Mazars (who deliver's Croydon Council's internal work) informed that their staff was not to work in client sites, thus contact would be continued remotely, which would make planning and other continued work difficult and may not be finished by the end of the year due to the current pandemic.

In response to Members questions relating to business continuity in the height of covid-19 and working off site, officers informed that there was opportunity for colleagues to work remotely as work consisted of verbal communication and providing evidence which could be done remotely with Council equipment provided.

In response to Members questions relating to the focus on outstanding priority one recommendation, officers noted that following the last committee meeting, the updated priority one recommendations were circulated and advised that there was a role for the committee Members to ask senior officers why actions had not been implemented, as this was deemed important.

The Committee **RESOLVED** to:

- Note the Internal Audit Report for April 2019 to January 2020.

17/20 **Anti-Fraud Update Report**

The Head of Audit spoke to the report of the Anti-Fraud, and specifically brought attention to Table 1 and 2 in the report.

Members heard that Table one had shown the year target achieved for a successful outcome and over payments, and the breakdown of this was shown in Table two.

Further, the report had presented work on the National Fraud Initiative, which was a two year cycle. £167k had already been identified and awaiting recovery. Two areas noted were (1) the DWP death list, where spending continued to be paid out to those in residential care after the service user had passed away and services were not informed. This recovered £93,511 of funds; and (2) the Blue Badge disable parking permits with the DWP National

list of deaths. Though payments were still in circulation this has been cancelled.

In response to Members questions relating to whether there was a criteria in receiving information, officers addressed that information on this matter were normally shared after the matter has been closed, or payment has been made. Further, officers highlighted that with identified cases, officers would contact the provider to arrange for cases, though it may not necessary relate to a fraudulent case, it would still be one that would come to the services' attention. The process was not robust, but once identified money was retrieved.

The Committee **RESOLVED** to:

- Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2019 – 31 January 2020.

18/20 **Corporate Risk Register**

The Head of Risk & Corporate Programme Officer presented the risk register report to Members.

Officers highlighted the regular red risk report, and noted that the Ofsted risk was overcome with the service achieving a 'good' outcome. This would move the service to a sustainably good journey.

Officers also noted the rise of the covid-19 and the impact it would have in the borough.

The Chair mentioned that the Committee was pleased to see the report from Ofsted with a 'good' outcome, and was looking forward to the service becoming excellent. The Members thanked the officers for all of their hard work in a reasonable time and the feedback in the report that was deserved.

Councillor Hall recognised the need to sustain improvement in Ofsted and wanted to reassure that this was the intended objective. Further comments relating to the coronavirus, Councillor Hall mentioned that this risk was clearly high. It was noted that business continuity and after things had been announced in terms of making sure that we were making whole financially to help the borough and maintain services and support. We have been told that extra costs incurred, school closures, outreach services, extra pressures in audit social care council tax etc. can impact on the council financially. There was a huge amount of work around this. Further, in relation to the Brexit risk, whilst the country was focusing on the current pandemic, on the 31st September 2020 there was a risk of a hard Brexit.

The Committee **RESOLVED** to:

- Note the contents of the corporate risk register as at 17 March 2020.

19/20 **General Purpose and Audit Committee Draft Annual Report 2019-2020**

The Chair introduced the item and informed the Committee of the General Purpose and Audit Committee Draft Annual Report, which provided details of the Committee's role.

The report was drafted in accordance with the Constitution and needed to go to Full Council for consideration.

The Committee discussed the report highlighting that there was opportunity to update the report given the current circumstances and things touched upon.

The Committee **RESOLVED** to:

- Approve the General Purposes and Audit Committee Annual Report 2019-2020.

20/20 **GPAC Independent Non-voting Member Recruitment**

The Committee heard that Nousheen Hassan had handed her notice in the last Committee meeting. Since then the vacancy position had been advertised and an interview had taken place. The process had been carried out and the interview panel identified a successful candidate.

Members of the Committee look forward to welcoming the new Member to sit on the Committee in the future.

The Committee **RESOLVED** to:

- Supports the recommendation of the recruitment panel for the preferred candidate to be appointed as an independent non-voting co-opted member of the Committee; and
- Recommends to Full Council that the appointment should be confirmed for the remainder of the municipal year and that said appointment be subject to the Code of Conduct for Non-Voting Co-optees.

21/20 **Update on In-Year Appointments**

The report provided before the Members was received for information.

The Committee **RESOLVED** to:

- Note the in-year appointments made under delegated powers by the Council Solicitor and the Scrutiny and Overview Committee as detailed in paragraph three of the report.

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Council Meeting Dates 2020/21 Update

The report provided before the Members was received for information.

The Committee **RESOLVED** to:

- Note the moving of the date for Council from 5 to 12 October 2020.

23/20

Exclusion of Public and Press

This was not required.

The meeting ended at 7:24pm

Signed:

Date:

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