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Audit & Governance Committee

Meeting of held on Thursday, 13 October 2022 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);
Councillors Claire Bonham, Simon Brew, Sherwan Chowdhury,
Danielle Denton, and Patricia Hay-Justice

PART A

9/22 Disclosure of Interests

There were no declarations of interest made in relation to any item on this agenda.

10/22 Minutes of the Previous Meeting

The minutes of the previous meeting were agreed as an accurate record of the meeting, and the minutes of the previous General Purposes and Audit Committee, of which Dr. Olasode was the Chair, were approved as an accurate record of the meeting.

11/22 Budget Monitoring

Nish Popat, Interim Head of Corporate Finance and Jane West, Corporate Director of Resources and Section 151 Officer, introduced the report, stating that the Mayor had included in his manifesto that monthly financial reporting was to be conducted so that Cabinet, and the Scrutiny and Overview and Audit and Governance committees had oversight and assurance of the process behind budget setting. Officers also clarified that a more detailed quarterly Capital Programme report would be presented to the committees.

Members thanked officers for the clear and comprehensive report and requested that operational budgeting and financial variances be separated for clarity.

In response to members' questions, officers explained that the council had a deficit recovery plan to try to reduce pressure exerted by rising inflation and interest rates, and that mitigations were built into the plan.

Officers agreed to include wording in the report to include context around the process and consultation with departments and the Assurance and Improvement Panel.

In response to queries from members, officers clarified that there was a structure through which the budget was taken which included budget managers, assurance, and the corporate management team, all of which fed up to the S151 Officer and Chief Executive. Officers also reassured members that budget holders had all had budget management training delivered by the Chartered Institute of Public Finance and Accountancy (CIPFA) which included budget forecasting and the governance process. Officers confirmed that there was a finance business partnering team which supported each directorate with efficiency savings, and which challenged services to generate savings and deliver within budget.

RESOLVED, to:

- 1.1 Note the Budget Monitoring cycle at Croydon Council along with the relevant stipulations within the Council's constitution and financial regulations.

*Clerk's note: Councillor Sherwan Chowdhury joined the meeting at 6.44 pm.

12/22

Head of Internal Audit Annual Report 2021/22

Dave Philips, Interim Head of Internal Audit, introduced the paper which reported that the overall opinion of assurance was 'limited'. This was due to more than half of the audits having a limited or no level of assurance. It was explained that this was in line with the level of assurance provided in the previous year's Head of Internal Audit opinion. However, governance and control within the organisation was improving but it would take a while to properly embed.

In response to members' questions officers explained that the IT audit conducted consisted of the asset management and cyber security audits, and that those were quite high-level audits with a wide scope. Officers explained that, since the change in leadership of the IT department, Audit was waiting for new processes and culture to embed, at which point it would conduct a more detailed audit of IT.

Officers also explained that the high turnover of council staff had impacted on the auditing process, due to reduced staff availability and difficulties in obtaining information. There was also the desire for the internal audit

team to give the council the opportunity to succeed, which required giving staff time to embed and therefore was not likely when staffing was volatile.

The committee was reassured that the Internal Control Boards (ICBs), chaired by the S151 Officer, and officers across the council had been working collectively to set and achieve targets. They also engaged in the process of reporting to the Corporate Management Team regularly to ensure improvements were met.

The Chair requested an update on the plan to move out of this level of assurance, to which officers responded that these actions would be included in the Annual Governance Statement.

RESOLVED, to:

1.1 Note the Head of Internal Audit Report 2021/22 (Appendix 1) and the overall Limited level of assurance of the Council's systems of internal control.

13/22 **London Borough of Croydon General Fund & Pension Fund Grant Thornton Audit Plan**

Matt Dean, Senior Manager Grant Thornton, introduced the report and explained to members that the risks currently present would be the starting points for de-risking, and that there was a standard process for setting materiality, which sat at £14million, which was a reduction from the 2019-20 accounts.

In response to questions from members officers explained that the Opening the Books exercise and a number of workshops with Grant Thornton, the council's external auditor, were making progress towards closing the 2019-20 accounts, but that an end date for that process was not yet in sight.

Members asked when there would be a decision about how the £70million hole in the accounts would be dealt with, to which officers stated that issues to do with the accounts of Croydon Affordable Homes were still being worked through, and that it was up to the council to assure members as to whether the bad debt provision was sufficient.

RESOLVED, to:

- 1.1. Note the 2020/21 Audit Plan Reports from Grant Thornton in relation to the Council's Main Accounts (Appendix A) and the Council's Pension Fund Accounts (Appendix B).
- 1.2. Note that the 2020/21 Audit would take place in parallel with the 2019/20 Audit.
- 1.3. Note that the fee request from Grant Thornton was not yet agreed and would be subject to negotiation with Grant Thornton and Public Sector Audit Appointments (PSAA).

14/22 **Update on Action Plan relating to Report in the Public Interest concerning Fairfield Hall (RIP1 2)**

Stephen Lawrence-Orumwense, Director of Legal Services and Monitoring Officer, introduced the update to members highlighting that a new report template and guidance had been developed and was being rolled out across the council, that a central repository for all contracts to assist the development of strategic procurement plans was in place, and that the council was looking into its decision-making protocols. The Monitoring Officer also stated that there was now regular review of funding envelopes for capital projects which were being reported to Cabinet, as well as quarterly reports on capital projects which would be delivered to Cabinet by Capital Board and other ICBs, the first of which would take place in December.

Officers agreed that, to aid the committee in its duty to examine the progress and effectiveness of the process involved, they would list the 12 recommendations against Red Amber Green (RAG) ratings.

RESOLVED, to:

Consider and comment on the Report in the Public Interest concerning the refurbishment of Fairfield Halls Action Plan Update which is attached as Appendix 1.

*Clerk's note: Councillors Brew and Denton exited the meeting at 7.57 pm.

15/22 **Treasury Management Strategy Statement and Annual Investment Strategy End of Year Review 2021/22**

Matt Hallett, Interim Head of Treasury and Pensions, summarised the report stating that at the end of the year the council had just over £300million in short-term debt, which was to be repaid as much as possible. Officers reassured members that the rise in interest rates would not make a huge impact on the budget as a lot of the debt had been

refinanced in the short-term, and that the best strategy at the moment was to repay the debt. Officers explained that in order to do this the council was identifying assets that could be sold.

Officers assured members that the asset disposal programme which had been in place for the last couple of years had identified a significant numbers of asset receipts, but that officers would wait until the Opening the Books exercise was completed so that the council had a firmer picture of projections and risks.

RESOLVED, to:

- 1.1 Note the contents of the report.

16/22

Corporate Risk Report

Malcolm Davies, Head of Insurance, Anti-Fraud and Risk, summarised to the committee that corporate risk referred to any risk stopping the organisation from meeting its objectives, of which the council currently had 35. Officers also explained that risk was rated by the impact it had on the organisation, and the level of severity and likelihood that risk held.

The Chair informed the committee that there was an opportunity for deep-diving areas where it felt risk rating was not improving or remained high, and to suggest recommendations based on that exercise. Members suggested it would be helpful for officers to include comments within the report to give reassurance that risk was being reviewed and the justification for any movement in risk ratings, to which officers responded that there was an intention to include robust improvement plans. The Chair agreed that commentary on the movement of risk ratings would support members' understanding of the process and provide reassurance that risk was being monitored. Officers agreed to put an arrow or other indicator of the direction of travel of risk next to items to help members identify improvement and decline.

The Chair asked members to send him their suggestions by email, and officers agreed to include new and emerging risks to the register.

RESOLVED, to:

- Note the contents of the corporate risk register as at October 2022.

The meeting ended at 8.28 pm