

LONDON BOROUGH OF CROYDON

REPORT:	AUDIT AND GOVERNANCE COMMITTEE	
DATE OF DECISION	19 JANUARY 2023	
REPORT TITLE:	ANNUAL GOVERNANCE STATEMENT 2021/22 AND ACTION PLAN	
CORPORATE DIRECTOR / DIRECTOR:	STEPHEN LAWRENCE-ORUMWENSE DIRECTOR OF LEGAL SERVICES & MONITORING OFFICER JANE WEST CORPORATE DIRECTOR OF RESOURCES	
LEAD OFFICER:	STEPHEN LAWRENCE-ORUMWENSE DIRECTOR OF LEGAL SERVICES & MONITORING OFFICER	
LEAD MEMBER:	CLLR JASON CUMMINGS CABINET MEMBER FOR FINANCE	
DECISION TAKER:	N/A	
AUTHORITY TO TAKE DECISION:	N/A	
KEY DECISION? [Insert Ref. Number if a Key Decision]	No	REASON: N/A
CONTAINS EXEMPT INFORMATION?	NO	
WARDS AFFECTED:	N/A	

1 SUMMARY OF REPORT

- 1.1** The Council must conduct a review, at least annually, of the effectiveness of its systems of internal control and prepare an Annual Governance Statement reporting on the review with the Statement of Accounts. This report sets out the Council's Annual Governance Statement (AGS) 2021/22 for the financial year ending March 2022. The Statement include the significant challenges and risk, the governance arrangement and internal controls in place, progress made, and improvements required.
- 1.2** The Committee is asked to consider and comment on the draft AGS 21/22 and the Action Plan.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to consider and comment on the draft Annual Government Statement 2020/21 and the Action Plan.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and the proper standards of good governance. The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus)(Amendments) Regulations 2020, require the Council to conduct a review, at least annually, of the effectiveness of its systems of internal control and to prepare an Annual Governance Statement (AGS) reporting on the review with the Statement of Accounts.

4 BACKGROUND AND DETAILS

- 4.1 The purpose of an AGS, which is published with the Statement of Accounts, is to provide an accurate representation of the Council's governance arrangements in place during the year and to identify areas where there are significant gaps or where improvements are required. CIPFA Delivering Good Governance in Local Government Framework 2016 provides that the Statement: *"7.2 enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges. 7.3 It should be high level, strategic and written in an open and readable style. 7.5 The annual governance statement should include:*

- *an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance*
- *reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate*
- *an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework*
- *an agreed action plan showing actions taken, or proposed, to deal with significant governance issues reference to how issues raised in the previous year's annual governance statement have been resolved*
- *a conclusion – a commitment to monitoring implementation as part of the next annual review."*

- 4.2 The Council's draft AGS 2021/22 is attached to this Report. During 2021/22, the Council continued to experience significant governance issues arising from the previous and current year and include the following:
- a) The External Auditors October 2020 published 'Report in the Public Interest' (RIPI 1) that set out serious concerns about the Council's financial situation, its financial decision-making and governance and there are ongoing actions to implement the Report recommendations.
 - b) The PWC November 2020 strategic review of Brick by Brick, Croydon Affordable Homes LLP and the Council's Revolving Investment, Asset Investment and Growth Zone Funds and findings that included significant improvement in the governance arrangement for the oversight of these companies. This has led to the establishment of Croydon Companies Supervision and Monitoring Panel. The Council has strengthened its governance arrangements and oversight of Brick by Brick with a (Member only) Brick by Brick Shareholder Cabinet Advisory Board and a new Board of Chair and non-executive Directors now in place at Brick by Brick.
 - c) The accounting treatment of Croydon Affordable Homes and Croydon Affordable Tenures remains an ongoing issue and the implications could have a significant impact on the Council's budgetary position.
 - d) Following an adverse qualification in the external auditor's conclusion on Value For Money for 2018/19, work on the 2019/20 Audit Findings report has not yet been completed. The accounts for 2019/20 and 2020/21 are in draft and some significant issues are still to be resolved.
 - e) The Council issued two 'Section 114 reports' in November and December 2020. The Council identified actions to achieve a balanced budget and included a capitalisation directive from the Department for Levelling Up, Housing and Communities (DLUHC) in December 2020. Significant work remains to achieve a sustainable Medium Term Financial Strategy over the next three years.
 - f) In January 2022, the Council's External Auditor issued a second Report in the Public Interest (RIPI 2) concerning the refurbishment of Fairfield Halls and related governance arrangements and made recommendations¹ which are the subject of an Action Plan to be included in the Croydon Renewal and Improvement Plan.
 - g) The Annual Report of the Head of Internal Audit for the year ending March 2021/22 provided only 'Limited Assurance' that the system of internal control accorded with proper practice. Several internal audit reports have nil or limited assurance in areas

¹ The report recommends improvements in the governance arrangements and decision-making for major projects to achieve best value and protect the council's interest. It requires improvements in record keeping, compliance with rules on public procurement and subsidy control, the proper execution of contracts, and effective budgeting, monitoring, reporting and control of expenditure.

such as service-based budget monitoring, information management, capital budgeting, contract management and temporary accommodation

- 4.3 During the year (21/22), the Council had in place measures to improve on its governance arrangements. The Croydon Renewal and Improvement Plan was the major programme to, amongst others, strengthen governance and financial practices in response to the RIPI and embed new ways of working to put the Council on a more sustainable financial footing. The progress made with the AGS Action Plan identified in the 2020/21 Statement is attached to the AGS as Appendix 1.
- 4.4 The AGS also confirms as of 31st March 2022 the Council's governance framework that includes the constitutional arrangements for the effective discharge of executive and non-executive responsibilities i.e., Full Council, Executive, Forward Plan, Overview & Scrutiny, Audit and other Committees, and ethical Conduct. The Statement, at the officer level, acknowledge the roles of CMT, DMT, Internal Control Boards and Statutory Officers Group in the effective governance of the Council. Also, the role of Internal and External Audit. The Statement further acknowledge the areas where there are still gaps in governance and improvements are required such as Financial and Risk Management, Housing Standards, Capital Projects, Complaints and Information Governance, Limited or Nil Assurance from Internal Audits and External Auditors recommendations arising from the second Report in the Public Interest (Fairfield Hall). These and other challenges will continue to be monitored in the coming year. Further, an Action Plan has been developed for 22/23 to address the gaps in governance identified in this Statement. The Action Plan is attached to the AGS as Appendix 2. Delivery of these actions will be monitored through the ICBs, CMT and regular updates to the Audit and Governance Committee.

5. ALTERNATIVE OPTIONS CONSIDERED

Not applicable.

6. CONSULTATION

- 6.1 This Governance Statement is informed by the ongoing Croydon Renewal & Improvement Plan (that include the Finance Review (2020), Governance Review (2020), Review of Council Companies (2020), Non-Statutory Rapid Review, Report in the Public Interest 2020 concerning the Council's financial situation and the Report in the Public Interest 2022 on the refurbishment of Fairfield Halls and related governance arrangements) and the various governance issues arising. Also, the Corporate Directors Assurance Statements and the Annual Report of the Head of Internal Audit 21/22.

7. CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1 The AGS aligns with the Mayor’s Business Plan 2022-26 “Outcome 1: The Council balances its books, listens to residents and delivers good sustainable services” and “Priority 4: Ensure good governance is embedded and adopt best practice”.

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

- 8.1.1 There are no financial consideration arising from the Annual Governance Statement and the Action Plan. But there are significant financial and reputational risk arising from non-delivery of the Action Plan which are intended to rectify from the gaps in governance identified.

8.2 LEGAL IMPLICATIONS

- 8.2.1 The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus)(Amendments) Regulations 2020, require the Council to conduct a review, at least annually, of the effectiveness of its systems of internal control and to prepare an Annual Governance Statement reporting on the review with the Statement of Accounts. This obligation is discharged by the preparation and publication of the AGS 21/22 and Action Plan.

8.3 EQUALITIES IMPLICATIONS

- 8.3.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and people who do not
 - Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The Annual Governance Statement and Action Plan do not give arise to any equality’s issues. However, the Council has had due regard to its obligations under the Equality Act in preparing and approving the statement.

9 APPENDICES

Appendix 1 Annual Governance Statement 2021/22

Appendix 2 AGS 2020/21 Action Plan and Progress Update

Appendix 3 AGS 2021/22 Action Plan and Progress Update

10 BACKGROUND DOCUMENTS

None.