

## **THE LONDON BOROUGH OF CAMDEN**

At a meeting of the **AUDIT AND CORPORATE GOVERNANCE COMMITTEE** held on **THURSDAY, 30TH MARCH, 2023** at 6.30 pm in Committee Room 1, Crowndale Centre, 218 Eversholt Street, London, NW1 1BD

### **MEMBERS OF THE COMMITTEE PRESENT**

Councillors Matt Cooper (Vice-Chair in the Chair), Camron Aref-Adib, Siân Berry, Richard Cotton, Samata Khatoon, Jenny Mulholland, Gio Spinella and Nanouche Umeadi; and Fehintola Akinlose and Alan Layton (Independent Members)

### **MEMBERS OF THE COMMITTEE ABSENT**

Councillors Sagal Abdi-Wali (Chair) and Judy Dixey

**The minutes should be read in conjunction with the agenda for the meeting. They are subject to approval and signature at the next meeting of the Audit and Corporate Governance Committee and any corrections approved at that meeting will be recorded in those minutes.**

### **MINUTES**

#### **1. GUIDANCE ON HYBRID MEETINGS**

##### **RESOLVED –**

THAT the hybrid meeting procedures be agreed.

#### **2. APOLOGIES**

Apologies for absence were received from Councillors Abdi-Wali and Dixey. Apologies for lateness were received from Councillor Mulholland.

#### **3. DECLARATIONS BY MEMBERS OF STATUTORY DISCLOSABLE PECUNIARY INTERESTS, COMPULSORY REGISTERABLE NON-PECUNIARY INTERESTS AND VOLUNTARY REGISTERABLE NON-PECUNIARY INTERESTS IN MATTERS ON THIS AGENDA**

There were no declarations.

**4. ANNOUNCEMENTS (IF ANY)**

**Broadcasting of the meeting**

The Chair announced that the meeting was being broadcast live by the Council to the Internet and could be viewed on the website for twelve months after the meeting. After that time, webcasts were archived and could be made available upon request. Those who were seated in the meeting room or participating via Teams were deemed to be consenting to having their contributions recorded and broadcast and to the use of those sound recordings and images for webcasting and/or training purposes.

**Iftar break**

The Chair proposed, and the Committee agreed, that the meeting would adjourn between 7.25pm and 7.45pm to allow those who were observing Ramadan to break their fast.

**5. DEPUTATIONS (IF ANY)**

There were no deputations.

**6. NOTIFICATION OF ANY ITEMS OF BUSINESS THAT THE CHAIR DECIDES TO TAKE AS URGENT**

There was no notification of urgent business.

**7. MINUTES**

**RESOLVED –**

THAT the minutes of the meeting held on 23<sup>rd</sup> February 2023 be approved and signed as a correct record.

**8. EXTERNAL AUDIT UPDATE**

Consideration was given to a report of the Executive Director Corporate Services.

A Committee Member welcomed the temporary increase of resource detailed at paragraph 3.4 of the report.

**RESOLVED –**

THAT the report be noted.

**9. ACCOUNTING POLICIES FOR THE STATEMENT OF ACCOUNTS 2021/22**

Consideration was given to a report of the Executive Director Corporate Services.

In response to questions, officers made the following comments:-

- Depreciation of infrastructure assets did not impact the Council's bottom line as the charges were reversed to the capital adjustment account. Councils were charged minimum revenue provision to compensate for this. The increase in depreciation did change how services were benchmarked against other authorities.
- With guidance and support from CIPFA and other advisers, work was underway to implement the new accounting standard on leases, IFRS16, in April 2024 and to report the impacts of it in 'Accounting Standards Issued but Not Adopted' for 2023/24. Further work was needed on reviewing lease information and the temporary increase in staffing would help with this.
- An example of an intangible asset was a software package owned by the Council.
- By regulation, Housing Revenue Account property was revalued every five years, with the 'beacon' property in a block being valued by the professional valuer, who also advised on asset lives, a key component of depreciation policy. The Council was moving towards a rolling cycle of valuation, in which a proportion of the assets would be valued each year.
- The valuations carried out were thorough, with the valuer looking at plans, visiting the property and looking at comparables where available. Though this valuation information was not particularly valuable to the authority, as it was not trading these properties, it was important to the audit to ensure that there were no material differences in the accounts.

A Committee Member encouraged officers to undertake as much preparatory work as possible ahead of the implementation of IFRS16 in order to ensure as successful an implementation as possible.

**RESOLVED –**

THAT the Accounting Policies for 2021/22, as set out in Appendix A to the report, be approved.

**10. 2023-24 INTERNAL AUDIT AND INVESTIGATIONS PLAN**

Consideration was given to a report of the Executive Director Corporate Services.

In response to questions, officers made the following comments:-

- The Anti-Fraud and Investigations Team (AFIT) largely undertook reactive investigations following referrals received. AFIT delivered a small proactive plan, however other teams undertook proactive work too, for example, AFIT had worked with the Business Rates Team to proactively put controls in place ahead of the payment of Covid business grants.
- Housing fraud was the biggest type of fraud in any council, hence the size of the Housing Investigations Team, and a large amount of that Team's work was proactive. For example, it considered potential fraud emanating from the National Fraud Initiative, who produced potential matches every two years which the Team then worked through.
- Officers could talk more about the pro-active/reactive split on housing fraud when the Annual Fraud report came before the Committee in June.
- In contrast, the work of the corporate Investigations Team tended to be reactive but it could divert resource when the other teams needed support.
- In terms of pro-active initiatives, the AFIT had done work on the use of purchase cards and was currently doing a piece of work around leavers' purchase cards.
- All staff were required to undertake mandatory anti-fraud training and the AFIT did also pro-actively reach out to teams at a higher risk of fraud.
- There was a three year plan for pro-active work and resources were directed effectively, as far as possible, between pro-active and reactive measures.
- Some fraud, such as corruption, was not easily quantifiable and there was an ongoing consideration of whether increased resource would yield a commensurate amount of benefit.
- The various teams did communicate with one another and came to AFIT when they needed to, such as during the Covid business grants period.
- The Anti-Fraud Strategy applied to everyone and not just to AFIT.
- In relation to Tenant Management Organisations (TMOs), the Internal Audit Team delivered a rolling programme of assurance, auditing one TMO per annum and spending approximately a week with the TMO carrying out the audit, looking at matters such as governance, repairs spend and financial controls, but also sharing good practice and learning. The Team generally had a good working relationship with the TMOs, which allowed review to be undertaken effectively, and recognised the challenges faced by TMOs. Once the draft Internal Audit report was issued, the Team revisited the TMO to help them formulate a management response, and then again to assess the implementation of audit recommendations. Separately, the Monitoring Team in Housing also provided support via monitoring visits.
- More detail could be provided on the Godwin and Crowndale audit in the June report.
- In relation to investigation of corruption, people did contact the team via the whistleblowing route, although some of these complaints were in fact grievances and were referred on to HR. Nevertheless, it was important to keep the whistleblowing channel open to people, even though there was a low number of referrals for corruption.

- The audit of housing medical assessments had been included in the Audit Plan following complaints by residents to councillors. The scope of the Internal Audit included processing times and clarity of communications to applicants, which was key to ensuring that the process was humane.
- The way Internal Audit resource was allocated was first to carry out a risk mapping exercise against the Principal Risk Report. This, in combination with other data sources, such as London Audit Group and meetings with Camden senior management, was used to draft the annual audit plan. The Team then balanced this against resource available. Usually 20 days was a reasonable amount of time to carry out an audit, and each audit would have an agreed terms of reference covering four or five main areas. Something like damp and mould was one strand, with a dedicated risk owner and a whole process, whereas a TMO was like a whole company audit, so did require a reasonable level of resource to be dedicated, especially as each was only audited every 5 years. Auditors would exceed the target end date if it was necessary to expand testing.
- The approach this year was to have scoped all the audits by the end of quarter 2, which was why quarter 2 looked so busy in the audit plan.
- In relation to risk number 5 in Appendix C, around the breakdown in community cohesion, implementation of the recommendations had not been as quick as it might have been. However, the follow up review was underway and the service was engaging. It was hoped all outstanding actions would be complete by July. Internal Audit would provide a further update on this area in June.
- Schools were keen to have more frequent audit visits as they appreciated the independent assurance provided, and they did not find the experience to be akin to an OFSTED inspection. It was very much a collaborative process and the feedback from schools was good.

**RESOLVED –**

THAT the Annual Internal Audit and Investigations Plan for 2023-24 be approved.

**11. RISK MANAGEMENT STRATEGY AND FRAMEWORK**

Consideration was given to a report of the Executive Director Corporate Services.

In response to questions, officers made the following comments:-

- The Camden Management Team did not undertake risk deep dives in the way that the Committee did, rather they were risk owners. Each principal risk was owned by an Executive Director, who was updated regularly and who updated the action plan on an ongoing basis.
- The effectiveness of the Strategy and Framework was tested when the Internal Audit team visited services to carry out audits. There were also external sources of assurance, such as the Care Quality Commission for example.

- The annual Principal Risk Report that came to the Committee in November went into detail on each individual risk, along with target scores, in order to provide Committee Members with assurance on the management of each risk.

**RESOLVED –**

THAT the report be noted.

**12. PRINCIPAL RISK UPDATE**

Consideration was given to a report of the Executive Director Corporate Services.

A Member remarked that section 7 of the report appeared to imply a link between refugees from the Middle East and terrorism. The Director of Public Safety remarked that the intention had been to provide an indication of the kind of issues that could impact community cohesion, but he accepted that there could be a perception that the report implied a connection between refugees and terrorism and that more careful wording was needed in future.

In response to a question, the Director of Public Safety commented that some metrics indicated that there had been an increase in hate crime in some areas and the Council was aware of this and communicating with partners about it.

Members made the following comments:-

- Some data on incidents of hate crime, and on how it was managed, would be useful.
- Issues relating to tensions with the Police had been known about even before the Casey report and should have been mentioned within the report.
- There had been a number of recent flashpoints involving right wing activity and the situation was fast moving.
- The situation with High Speed 2 (HS2) was also fast moving and Members needed to be updated on this sooner than November.
- An interim update was requested before the next annual report in November, focussing on high scoring risks and risks presenting with an increasing forward trend.

The Head of Internal Audit, Investigations and Risk Management undertook to look at providing Members with an additional risk update in June 2023, including safeguarding adults and HS2.

**ACTION BY:                      Head of Internal Audit, Investigations and Risk Management**

A Member suggested that the Culture and Environment Scrutiny Committee be asked to consider setting up another scrutiny panel to look at community cohesion.

The Director of Public Safety undertook to pass this suggestion back to the Chair of that Committee.

**ACTION BY:            Director of Public Safety**

**RESOLVED –**

THAT the report be noted.

**13.    RISK DEEP DIVE - HOUSING REVENUE ACCOUNT FINANCIAL RESILIENCE**

Consideration was given to a report of the Executive Director Corporate Services.

In response to a question about heating pools costs, the Head of Finance (Supporting Communities) remarked that wholesale prices were falling but there was a risk that the cost to the consumer might not fall. Some one-off resources had been found this year to mitigate the effect of wholesale price rises on tenants and leaseholders, and this might be an option again. However, this did mean that the HRA reserves that had been used would have to be topped back up in future years as it was not heating pool money and the heating pool was ringfenced. In response to further questions, he remarked that the scope to recover income lost due to government mandated rent reductions was limited and all that could really be done was to try to reduce expenditure. There was however some money still to come from the government in relation to the works on the Chalcots Estate once the works were completed.

A Member commented that council tenants were seeing their costs rise while services were being scaled back, and asked what could be done to mitigate this and how residents' ideas could be brought into the process. The Head of Finance commented that the District Management Committees were consulted every year as part of the budget setting process and a big part of the housing transformation programme was about having a better and closer relationship with tenants. On rent increases, the impact was not yet clear and would be closely monitored, but the Council had tried to strike a balance between keeping rent increases reasonable and achieving enough income to cover its costs.

In relation to whether the Council benchmarked contractor performance and the health of the HRA against other councils, the Head of Finance commented that there was performance benchmarking, and the Council was part of Housemark. The CIPFA dashboard also contained measures relating to the financial health of HRAs, and officers kept in close contact with colleagues in neighbouring authorities.

The Head of Finance acknowledged that a number of these risks had already crystallised. For example, the damp and mould issue had necessitated the diversion of resources from elsewhere which, whilst the right thing to do, could create issues elsewhere in the longer term.

A Member expressed a concern that pro-active maintenance would suffer, leading to greater problems in the long term, and money did need to be spent in order not to make matters worse further down the line.

The Head of Finance clarified that the reason that reserves were forecast to go up despite the identified £7.1m budget pressure was partly due to the receipt of some government grant relating to Chalcots, but also due to the intention to top up reserves from revenue each year. However, this was offset by the likely need to draw down further on reserves in future years which was not reflected in the report.

In relation to the increase in rent arrears, the Head of Finance commented that there was a whole team focussed on tackling arrears and the underlying issues behind them. The Chair requested a further report on HRA risk later in the year and it was suggested that the Chair, Vice-Chair and officers consider where this might be fitted into the work plan.

**ACTION BY:            Executive Director Corporate Services**

**RESOLVED –**

THAT the report be noted.

**14.    RISK DEEP DIVE - EMERGENCY PREPAREDNESS**

Consideration was given to a report of the Director of Public Safety.

A Member remarked that it was good to see priority being given to extreme weather events, such as flooding, and the Council really needed to give consideration to putting money aside to deal with such eventualities. In relation specifically to the recent flooding, the Resilience and Public Security Manager commented that Thames Water had picked up the majority of the cost but there had been some cost to the Council. The Council would act on anything defined as a civil emergency and it was often as a result of another responder asking the Council to help by providing, for example, humanitarian assistance. The flash flooding in summer 2022 had not qualified as a civil emergency but had nonetheless been given extra attention.

In response to a question about lessons learned from the Covid-19 pandemic, the Resilience and Public Security Manager remarked that the pandemic had been his service's priority for a year and had interrupted all planned work. A huge amount of positive learning had come out of it, on things such as redeploying staff, the application of business continuity plans and the command and control structure. Excellent working relationships with partners had also been built and strengthened.

Members requested sight of the resilience self-assessment referred to in section 4 of the report.



**ACTION BY:            Director of Public Safety**

**RESOLVED –**

THAT the report be noted.

**15.    ANNUAL REVIEW OF THE COMMITTEE'S EFFECTIVENESS**

Consideration was given to a report of the Executive Director Corporate Services.

**RESOLVED –**

- (i)     THAT the report be noted;
- (ii)    THAT option 1 for assessing the effectiveness of the Committee (a review facilitated by an external trainer immediately following a training session) be agreed; and
- (iii)   THAT the next review be conducted in March 2024, allowing the newly formed committee and Independent Members sufficient time to be in.

**16.    MINOR CONSTITUTIONAL CHANGES TO BE INCLUDED IN THE ANNUAL REPORT TO MAY COUNCIL**

Consideration was given to a report of the Borough Solicitor and to an addendum to the report contained on the supplementary agenda.

It was noted that the following further amendments needed to be made to the Guidance on Hybrid meetings:-

- Reference in Part G to safe limits and social distancing needed to be removed; and
- Paragraph 9 should refer to deputies being given the option to attend remotely, rather than being encouraged to attend remotely.

**ACTION BY:            Borough Solicitor**

**RESOLVED –**

THAT, subject to the amendments to the Guidance on Hybrid Meetings referred to above, the suggested changes to the Constitution set out within the report and addendum, and the intention to include those changes in the annual report to Council in May, be noted.

## **17. WORK AND TRAINING PLAN AND ACTION TRACKER**

Consideration was given to a report of the Borough Solicitor

### **RESOLVED –**

- (i) THAT the work plan for 2023/24 as set out at Appendix A of the report be noted;
- (ii) THAT the training sessions that took place for members of the Committee in 2022/23 be noted; and
- (iii) THAT the action tracker for actions arising from the previous meeting be noted as per Appendix C of the report.

## **18. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**

There was no such business.

Having adjourned between 7.25pm and 7.45pm, the meeting ended at 8.55pm.

## **CHAIR**

**Contact Officer:** Vicky Wemyss-Cooke

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**MINUTES END**