

Final Internal Audit Report

Fees & Charges

November 2024

Distribution: Director of Finance (Deputy S151 Officer)
Corporate Director of Resources and S151 Officer (Final only)

Assurance Level	Issues Identified	
Limited	Priority 1	1
	Priority 2	3
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Forvis Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 Croydon London Borough Council (“the Council”) is responsible for providing an array of services to the public. In addition to central government funding, and general revenue from council tax and non-domestic rates, the Council relies on income from fees and charges. Reasons for making a charge include:
- Statutory charge – planning and licensing fees;
 - It is the Council's policy to recover its costs in relation to the discretionary or incidental provision of goods or services provided so that these are not funded by the council taxpayer;
 - It may be the Council's policy to partially subsidise a service; and
 - There is an existing market that would be distorted if the Council did not charge the market rate.
- 1.2 While some fees and charges are statutory and set by central government, others are determined locally. The Council's constitution requires the Executive Mayor in Cabinet to approve all fees and charges in advance of the relevant financial year. All fees and charges are available via the Council's website.
- 1.3 Like other businesses, the Council's costs are impacted by factors of demand and supply. The Council have shown good practice by reviewing its charging policies and the level of charges annually to ensure that they stay relevant and reflect the Council's underlying costs. The Council is required to ensure that, the income from charges does not exceed the costs of provision as this would be contrary to the statutory basis which permits the Council to charge in relation to discretionary or incidental services.
- 1.4 The Council also operate 'price point' charges which require figures to be rounded in order that these are easy to remember for customers and to administer.
- 1.5 Under the Local Government Act 1972, the Council is required to maintain a balanced budget and must have a Medium-Term Financial Strategy (MTFS) for ensuring financial stability and solvency. The fees & charges set should take into account any savings outlined in the MTFS.
- 1.6 Supporting documentation for the respective fees and charges was not stored centrally but remained in the possession of the responsible managers. A request was made for the Heads of Finance to assist in the collation of required evidence, but responses were not provided by all of them.
- 1.7 The audit was undertaken as part of the agreed Internal Audit Plan for 2023/24. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues**Priority 1 Issues**

Assurance could not be provided regarding the justification and approval of fee changes due to a lack of available evidence and responses to enquiries. **(Issue 1)**

Priority 2 Issues

The Director of Finance explained that there was no formal training provided for staff to support the calculation, setting and approval of fees and charges for Council services. **(Issue 2)**

The Council's use of their 'Budget Setting Timetable' was not effectively monitoring the completion of tasks relating to reviewing and setting fees and charges. **(Issue 3)**

The Council's Fees and Charges Procedure lacked detail regarding how the fees and charges were set by an individual directorate or the stages of the approval process below Executive Mayor approval. **(Issue 4)**

3. Actions and Key Findings/Rationale

Control Area 3: Calculation/Justification of Fee Changes

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
1	Fees and charges reports will go through the Council's normal process of CMT and MAB on the way to Cabinet. This process has been followed for the 2024-25 fees & charges report, and the 2025-26 fees & charges report has been to CMT and is booked for MAB.	<p>Expected Control: The proposed fees and charges are reasonable and include clear justification for the level of the fees or charges. These are reviewed by the Corporate Management Team, the Mayors Advisory Board and the Lead Members for the relevant service before receiving approval from the Executive Mayor.</p> <p>Finding/Issue: Evidence relating to the justification and approval of fees and charges for 2023/24 was requested but not provided. As a result, assurance cannot be provided in this area.</p> <p>Risk: Fees and charges may not be appropriately set and there may be a lack of corporate ownership of the setting of fees and charges. This could lead to under or over charging and impacts on the financial position of the Council.</p>
Responsible Officer	Deadline	
Director of Finance (Deputy s151)	Completed	

Control Area 1: Regulatory, Organisational and Management Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2				
2	The Heads of Strategic Finance provide check, challenge and support to service officers (whom are the subject matter experts for their areas of fees and charges).	<p>Expected Control:</p> <p>Departmental staff responsible for submitting proposed fees have been provided appropriate guidance and /or training on their roles and responsibilities. To achieve this the Council may implement a two-phase training programme to ensure new starters complete mandatory training while existing staff partake in annual top-up training to advance professional development.</p> <p>Finding/Issue:</p> <p>As part of the review to confirm the extent to which Council staff are trained, discussions were held with the Director of Finance, where it was noted that no specific, formal training was provided to staff regarding their roles and responsibilities in respect of calculating, setting and approving proposed fees and charges.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Director of Finance (Deputy s151)</td> <td>N/A</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Director of Finance (Deputy s151)	N/A	<p>Risk:</p> <p>Staff may be unaware of the expectations, process or approval required to calculate, set and approve fees and charges for the Council. This may result in inconsistent approaches to setting fees and charges and potentially under or over charging for services.</p>
Responsible Officer	Deadline					
Director of Finance (Deputy s151)	N/A					

Control Area 1: Regulatory, Organisational and Management Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3				
2	<p>The fees and charges report includes legal comments which set out the fees and charges which the Executive Mayor can determine as an executive function and those which are non-executive functions and set by committees/bodies/individuals as per legislation.</p> <p>Also refer to response to issue 1.</p>	<p>Expected Control:</p> <p>The requirement for approval of fees by the Executive Mayor is clearly defined in the Council’s financial regulations (which form part of the constitution). Furthermore, the steps taken by directors to arrive at the proposed fee should be recorded.</p> <p>Finding/Issue:</p> <p>The Fees and Charges Procedure, which was approved by the Cabinet on the 22 February 2023, was reviewed with the aim of confirming that appropriate guidance was detailed regarding the adjustment and approval of fees and charges within the Council.</p> <p>While it was verified that the procedure referred to the requirement for Executive Mayor approval, it lacked detail regarding how the fees and charges were raised by individual directorates or the stages of the approval process prior to Executive Mayor approval. As raised at issue 1 above, assurance cannot be provided over the justification of fees and charges due to a lack of evidence being provided.</p> <p>Risk:</p> <p>The underpinning procedure does not provide sufficient detail across the full range of the approval framework. Subsequently, there is a risk that calculation errors are approved which can result in inappropriately alterations to fees and charges being set.</p>				
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Control Area 2: Timetable and Process for Fee Setting

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3				
2	<p>The budget timetable including the fees and charges report is used to let Members and Officers know when information is due/reported. We continue to not use this as a collection point of completed dates.</p> <p>The completion is shown by reports being presented to Cabinet in a timely manner.</p>	<p>Expected Control:</p> <p>A timetable has been set for the 2023/24 fee setting/approval process, and this timetable has been adhered to, which uses predetermined deadlines as a basis for task completion analysis.</p> <p>Finding/Issue:</p> <p>To ascertain whether the process for setting and approving fees correlates positively with predetermined deadlines, the most up to date 'Budget Setting Timetable' was requested. Examination of the Budget Setting Timetable found that while there was information regarding; the deadline date; responsible department; and responsible officer, the 'date of completion' column displayed no entries. Subsequently, this undermines the purpose of the timetable as no record of when the relevant fee calculation and approval had been completed.</p> <p>Risk:</p> <p>Fees and charges may be calculated and approved in an untimely manner causing delays to fees being adjusted. This may impact the income received by the Council.</p>				
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AUDIT TERMS OF REFERENCE

Fees and Charges

1. INTRODUCTION

- 1.1 Croydon London Borough Council (“the Council”) is responsible for providing an array of services to the public. In addition to central government funding, and general revenue from council tax and non-domestic rates, the Council relies on income from fees & charges.
- 1.2 While some fees & charges are statutory and set by central government, others are determined locally. The Council’s constitution requires the executive mayor in cabinet to approve all fees & charges in advance of the relevant financial year.
- 1.3 Under the Local Government Act 1972, the Council is required to maintain a balanced budget and must have a Medium-Term Financial Strategy (MTFS) for ensuring financial stability and solvency. The fees & charges set should take into account any savings outlined in the MTFS.
- 1.4 This audit is part of the agreed Internal Audit Plan for 2023/24.

2. SCOPE





- 3.1 This audit, focused on fees and charges, was undertaken as part of the 2023/24 Internal Audit Plan. The specific scope included the following areas and recommendations:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management Requirements	0	2	0
Timetable and Process for Fee Setting	0	1	0
Calculation/Justification of Fee Charges	1	0	0
Executive Approval of Fees	0	0	0
Total	1	3	0

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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