

MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON TUESDAY, 29TH NOVEMBER, 2016

PRESENT:

**Councillors: Barbara Blake (Chair), Eddie Griffith (Vice-Chair),
Patrick Berryman, Isidoros Diakides, Joseph Ejiofor, Stephen Mann,
Sheila Peacock, Viv Ross and Gina Adamou**

99. FILMING AT MEETINGS

The Chair referred Members present to agenda item 1 in respect of filming at this meeting and Members noted the information contained therein.

100. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Councillor Adje and from Councillor Engert.

101. URGENT BUSINESS

There were no items of urgent business.

102. DECLARATIONS OF INTEREST

There were no declarations of interest.

103. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were no such items.

104. MINUTES

RESOLVED

That the minutes of the meeting held on 15th September 2016 be approved as a correct record and signed by the Chair.

105. TREASURY MANAGEMENT UPDATE - Q2 (MID YEAR REPORT)

The Committee considered the mid year report on Treasury Management, presented by Oladapo Shonola, Head of Finance – Treasury and Pensions. It was noted that it was a requirement of the CIPFA Treasury Management Code for this report to also be considered by Full Council. The key messages from the report were that:

- As at 31 March 2016 the Council had £312.2m of borrowing and £29.15m of investments.
- As at 30 September 2016 the Council held £273.6m of loans (a decrease of £9.7m on 31 March 2016), that it was estimated that the Council would incur a net cost of £31m if all PWLB loans were rescheduled (full details of which were provided at appendix 4 to the report).
- The cut in the UK Bank Rate from 0.5% to 0.25% in August 2016 had affected investment returns, the current forecast investment income for the year is estimated at £104k.
- There had been no breaches of the Prudential Indicators for 2016/17, as set by Full Council as part of the Treasury Management Strategy Statement.

In response to a question from the Committee regarding the outlook for the remainder of 2016/17, it was reported that this would largely depend on developments in the UK economy relating to Brexit and that there was currently uncertainty relating to what this impact would be, although there were indications of a general downward trend in economic growth.

In response to some questions for clarification by the Committee it was noted that the table on page 14 of the report had been inadvertently duplicated from paragraph 14.4 and was not relevant to the section on borrowing activity, and that the PREM column on the table at appendix 4 referred to the premium for the respective loans.

RESOLVED

That members note the Treasury Management activity undertaken during the six months to 30th September 2016 and the performance achieved.

106. INTERNAL AUDIT UPDATE - QUARTER 2

The Committee considered the Internal Audit Progress Report 2016/17 – Quarter 2, presented by Anne Woods, Head of Audit and Risk Management. The report set out progress on internal audit coverage relative to the approved internal audit plan, including the number of reports issued and finalised by Mazars, the Council's external audit provider, and provided a summary of the audit reports receiving an assurance rating of less than substantial that had been issued during the quarter, as well as an update on follow up work and progress on outstanding actions.

In relation to the audit reports issued during the quarter, it was noted that three (Civica Enforcement Application Review, Procurement of Contracts below OJEU Threshold and Tuition Service) had received a limited assurance and one (Stamford Hill Primary School) had received nil assurance. In relation to Stamford Hill School, it was reported that the Head of Audit and Risk Management was working with the AD, Schools and Learning and had held discussions with the Chair of Governors and Head teacher at the school, that an action plan was in place and that a follow-up audit was programmed for 12 December 2016. The Head of Audit and Risk Management would report back on the findings of the follow-up at the next meeting of the Committee.

In response to a question from the Committee, it was reported that the only previous nil assurance ratings for internal audits in Haringey had also related to schools, but

that this was the first such rating for a couple of years. The Committee expressed concern regarding the findings of the audit relating to procurement of contracts below OJEU threshold, and asked for further information on this. Anna D'Alessandro, Interim Deputy Section 151 Officer, agreed that the findings were unacceptable and had identified that there were concerns around getting the basics of procurement right. It was noted that the procurement service had recently moved from Finance to Commercial and Operations and that the Chief Operating Officer was working closely with the AD Commercial and Operations to address the issues identified. It was further noted that a number of senior staff within Finance, where responsibility for the procurement function had previously resided, had left the organisation. The Chair noted that this was a matter of concern and that she would be monitoring progress on the actions arising from this audit on a regular basis with the Head of Audit and Risk Management. A follow up report on this would be provided to the next meeting of the Committee.

The Committee asked about contracts above the OJEU limit; the Head of Audit and Risk Management advised that there was a rolling programme of contract audits above the OJEU threshold each year. Unlike contracts below the OJEU limit which were governed by more generic processes, those above the threshold tended to have more bespoke arrangements and audits of these were therefore on an individual contract basis, on the basis of risk analysis, rather than across the piece. The Interim Deputy Section 151 Officer advised that the Council as an organisation was overall very compliant in respect of contracts, and that the issues identified only affected a very small amount of the Council's spend.

RESOLVED

That the Committee note the audit coverage and follow up work completed.

107. COUNTER-FRAUD UPDATE

The Committee considered the report on the work undertaken by the Counter Fraud Team in the quarter ending 30 September 2016, which covered details of proactive and reactive investigative work undertaken by the in-house Counter Fraud Team. It was noted that two whistleblowing referrals had been received during quarter 2, and that in relation to tenancy fraud 21 properties had been recovered to date in 2016/17, with 85 investigations ongoing, of which court proceedings were underway for 39. Also during this quarter, one Temporary Accommodation property had been recovered, three fraudulent housing applications had been prevented and 22 Right to Buy applications had been withdrawn or refused. It was noted that the Council had been supporting other local authorities with their own work in this area, and had recently presented at the National Anti-Fraud Network Annual Summit.

In response to a question from the Committee regarding how the targets for tenancy fraud and Right to Buy fraudulent applications were set, it was reported that the targets were based on a former estimate of the Audit Commission that 4-6% of total tenancies could be fraudulent, and the application of that estimate to the resources available. On average, the Council recovered 40 to 60 properties per year, but it was noted that where prosecutions were undertaken jointly with other local authorities it could take several years to complete the legal process and recover the keys to a

property. The Council previously received funding from the DCLG for additional investigators in this area, and during that period the targets had increased, however the targets had lowered again since this funding had ceased.

The Committee asked how the Council obtained information relating to potential tenancy fraud, and it was reported that there were several different data sources, including data matching with credit reference agencies, looking at people who paid their rent from outside the borough, intelligence from within the Council and working with external agencies, the National Fraud Initiative and data matching with Housing Benefits records. A recent project had been for investigators to attend Gas Safety Check appointments in temporary accommodation units, and work was taking place to train tenancy management officers to look for tell-tale indications of fraud when undertaking routine checks. The Committee asked whether there was a way of deterring people from making fraudulent applications in the first place; it was reported that the Council tried to interview applicants at an early stage as possible and to ask questions that might make them think about the implications of proceeding with an application they knew to be fraudulent, word of mouth reports that all applications were investigated thoroughly was also a potential way to deter people and it was noted that some applications were withdrawn after being submitted.

The Committee asked about the Right to Buy discount that was available, and also the nature of the fraud identified. It was reported the discount was stepped, with discounts available up to a maximum of £103k after 5 years, to be reduced to 3 years shortly. It was noted that fraudulent behaviour was not only on the part of applicants, but there were also examples of mortgage brokers, financial advisors and solicitors being involved in fraudulent applications. The Council was keen to identify potential fraud cases not only to prevent homes being sold at a discount illegally, but to protect longstanding Council tenants who may be at risk of losing their homes.

In response to a question from the Committee it was confirmed that a telephone number, email address and PO Box for contacting the Council regarding suspected fraud was advertised on the Council's website, and that details were also being printed on the back of Argos receipts in Wood Green, Harringay and Tottenham Hale as a targeted project. The Committee suggested that consideration be given to printing information about fraud prevention on the Housing Benefits form on an annual basis.

RESOLVED

That the Committee note the counter-fraud work completed in the quarter.

108. EXTERNAL AUDITOR APPOINTMENT

The Committee considered the report on the External Audit Appointment Process, presented by Anne Woods, Head of Audit and Risk Management. The report set out the alternative options of the Council making its own arrangements for the appointment of its external auditor, via an Auditor Panel, or using the appointed 'sector led body' Public Sector Audit Appointments Ltd (PSAA) and the implications of each approach. It was noted that the Corporate Committee was being asked to make a recommendation on the approach to adopt, as the Committee with responsibility for

oversight of external audit arrangements, but that the final decision was legally reserved for Full Council. The report recommended the use of PSAA for the appointment of the Council's external auditor.

The Committee asked about the arrangements for audits of local health trusts being made available to the Council's Overview and Scrutiny Committee, in response to which Andrew Barnes, BDO, advised that the Overview and Scrutiny Committee, along with the Health and Wellbeing Board, would have a role in commenting on the health trust's qualitative account and that as part of that process the Committee should request additional external audit reports.

The Committee asked about the accountability of PSAA; the Head of Audit and Risk Management advised that the PSAA was wholly owned by the Local Government Association and had a remit restricted to managing the appointment of external audit services to the local government sector. The PSAA had already stated that it intended to avoid the larger firms that tended to dominate the market and would look at mid-sized audit firms as part of its work, with arrangements in place such that contracts were not awarded solely on price terms. It was noted that this would be a significant public sector procurement exercise and would therefore exceed the OJEU threshold – all elements of the process would therefore be available for public scrutiny. In addition, PSAA would be required to file accounts as a limited company.

RESOLVED

That the Committee recommend to Full Council that the external auditor for the Council and for the pension fund should be appointed by Public Sector Audit Appointments Ltd (PSAA), a subsidiary of the Improvement and Development Agency (IDeA) which is wholly owned by the Local Government Association.

109. ANNUAL AUDIT LETTER

The Committee considered the Annual Audit Letter, presented by Andrew Barnes, BDO. Mr Barnes advised that the letter was a summarised version of the overall findings of the audit of the Council's Statement of Account 2015/16, which had been presented in detail at the previous meeting of the Committee. The only new information since the previous report was identified as the section on Whole of Government Accounts at page 8 of the letter, which related to the Council's Data Collection Tool (DCT) submission; it was noted that some minor amendments had been made to the DCT as part of this process.

The Committee expressed the view that this report felt more positive than the report considered at the previous meeting, in response to which Mr Barnes advised that the previous report had been a far more technical document, which had raised issues around financial reporting issues. It was noted that all of these technical issues had now been resolved and the auditors were therefore in a position to state their opinion that the Statement of Accounts was a true and fair reflection of the Council's position. It was noted that the issuing of the final audit certificate was dependent on some outstanding legal issues which also affected the ability of the Council's former external

auditors to issue a certificate for the previous year's audit, but it was not felt that this had a significant impact on the ability of the auditor to provide their opinion.

In response to a question from the Committee regarding the pension fund and why an increase in contributions was necessary when liabilities were reported to be falling, it was advised that this was dependent on the actuarial forecast. While there was a reported reduction in liabilities based on a technical assessment, there was also a funding gap which needed to be bridged in the long-term, based on a number of factors such as changing patterns of life expectancies since funds had been established.

The Committee asked about 'materiality' and it was reported that this was the methodology used by auditors to establish a tolerance for error within which assurance regarding the accuracy of the Statement of Accounts could be provided. In response to a question from the Committee regarding whether the external auditors considered expenditure against budget. Mr Barnes advised that this did not form part of the audit work in relation to the Statement of Accounts, but was considered by the auditors as part of its annual Use of Resources work.

RESOLVED

That the content of the report be noted.

110. PROGRESS UPDATE 2015-16

The Committee considered the external audit progress report, presented by Andrew Barnes, BDO, which set out the current position in the audit cycle and provided assurance regarding compliance with statutory requirements and deadlines. It was noted that reports on the review of the Housing Benefit Subsidy claim and Grants report would be reported to the next meeting of the Committee. The report also noted the outstanding issues affecting the ability to issue an audit certificate.

RESOLVED

That the content of the report be noted.

111. ANY OTHER BUSINESS OF AN URGENT NATURE

The Chair noted that this was the last meeting of the Committee of Anna D'Alessandro, Interim Deputy Section 151 Officer. The Committee expressed its thanks for all of her work in support of the Committee and wished her the very best of luck in the future.

In response to a question from the Committee regarding the report on the proactive counter fraud work relating to contracts as referred to on page 7 of the minutes of the previous meeting, it was reported that it may be possible for this to be considered at the meeting of the Committee in January 2017, but this would depend on when the work was concluded. The Head of Audit and Risk Management confirmed that the Committee would be advised when this report would be brought to the Committee.

Action: Head of Audit and Risk Management

112. DATE AND TIME OF NEXT MEETING

31st January 2017, 7pm.

The meeting closed at 8.10pm.

CHAIR: Councillor Barbara Blake

Signed by Chair

Date