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Co-ordinator
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15 September 2023

To: All Members of the Audit Committee

Dear Member,

Audit Committee, Thursday, 21 September, 2023

I attach a copy of the following additional papers for the above-mentioned meeting which were not available at the time of collation of the agenda:

6. MINUTES

To confirm and sign the minutes of the Audit Committee meeting held on 20 July 2023 as a correct record.

To review the action tracker.

Yours sincerely

Nazyer Choudhury, Principal Committee Co-ordinator

SECOND DESPATCH

AUDIT COMMITTEE

Thursday, 21st September, 2023, 7.00 pm - George Meehan House, 294 High Road, N22 8JZ (watch the live meeting [here](#) and watch the recording [here](#))

Members: Councillors Ibrahim Ali, Kaushika Amin, Cathy Brennan, Eldridge Culverwell (Vice-Chair), Mary Mason (Chair), Ajda Ovat and Alessandra Rossetti

Quorum: 3

6. MINUTES (PAGES 1 - 12)

To confirm and sign the minutes of the Audit Committee meeting held on 20 July 2023 as a correct record.

To review the Action Tracker.

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Fiona Alderman

Head of Legal & Governance (Monitoring Officer)

George Meehan House, 294 High Road, Wood Green, N22 8JZ

Monday, 18 September 2023

MINUTES OF THE AUDIT COMMITTEE HELD ON THURSDAY 20 JULY, 2023, 7:00PM – 8:15PM

PRESENT: Councillors Ibrahim Ali, Kaushika Amin, Cathy Brennan, Mary Mason (Chair), Ajda Ovat and Alessandra Rossetti

1. FILMING AT MEETINGS

The Chair referred to the notice of filming at meetings and this information was noted.

2. APOLOGIES FOR ABSENCE

There were none.

3. URGENT BUSINESS

There was no urgent business.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

The meeting noted that Corporate Committee held an action tracker. This would be updated and brought forward to the next meeting of the Audit Committee.

The appointments process for independent members to the Audit Committee was still in progress and one member will be appointed by the next meeting and the other will be interviewed in August 2023.

6. TREASURY MANAGEMENT UPDATE REPORT - OUTTURN 2022/23

Mr Tim Mpofu, Head of Finance (Pensions & Treasury), presented the item.

The meeting heard that:

- The local authorities that were benchmarked were those that were clients of Arlingclose, the Council's treasury advisor. Those boroughs not associated with Arlingclose were not included as part of the quarterly benchmarking exercise.
- Section 2 of the appendix marked dates starting from June 2023 and should read from June 2022.
- During course of the year, the gilt yields (which is a proxy for the cost of UK government debt) tended to fluctuate either through interest rate movements or the fiscal position of the UK government. During the time Liz Truss was Prime Minister, there was economic uncertainty around the UK government's fiscal position when the budget was announced. This caused a sudden increase in gilt yields during September

2022 but the yields stabilised after a change in government. At the time of the meeting, the 10 year gilt yield was at 4.2% and ranged between 4% to 5% throughout the period. This was a direct result of the change in monetary policy over the past 18 month.

- Officers were monitoring the economic situation on an ongoing basis and if gilt yields dropped, then it would be possible to capitalise on this and undertake further long term borrowing. At this point, the changes were so significant, that it was unlikely that interest rates would return to their pre-April 2022 levels.
- Section on 6.4 of the appendix displayed the guiding principles which were based on the CIPFA code. In deciding on how to make treasury investments, the Council has a requirement to prioritise security (ensuring that the money was deposited with secure counterparties) then liquidity (meaning that the money could be accessed as required) so that there did not need to be any unnecessary borrowing. Once the security and liquidity requirements were met, investments would be placed taking into account the attractiveness of the prevailing yields (to make the best return on capital). The Council's treasury investment policy was generally conservative. The deposits were in place with the Debt Management Office (DMO) which was a government agency that enabled the Council to place deposits overnight up to six months. The Council had increased the duration term of the deposits made to increase the Council's interest receivable potential.. Other local authorities may place their deposit with banks and banks were considered to be riskier than the DMO and may not pass on the interest rate increases immediately.. Therefore, it appeared that the Council was taking less risk but receiving a higher return.
- The bail-in exposure was introduced when some banks were bailed out during the financial crises of 2008 and related to the probability of the assets being subject to that bail-in if the assets were they to go under. If the Council had a deposit with the bank, then it would be considered to be subject to a higher bail-in or rescue programme from the Government.
- From a Treasury management perspective, the Council aimed to ensure that there is as much cash available as possible. On a short-term basis, it was possible to borrow from other Councils. This would generally be for a period of less than 12 months. The alternative was to borrow long-term, but the interest rates for these loans were higher than they had been in the past. When the budget was set that last year, there was an there was an assumption that all long term borrowing would average 4.50% but rates currently were higher than this assumption. It was a question of whether or not interest rates continued to increase, if the borrowing was greater than initially assumed and if the Council wished to borrow for longer term or shorter term basis. Shorter term rates were considered more expensive at around 6% at the time of the meeting and longer-term rates were at 5.5% without PWLB certainty rate. Borrowing for over a 50 year would also be at a high rate.
- The Treasury team's role in the Council's finance team was to advise on capital markets movements. HRA colleagues would be advised on the cost of borrowing based on the prevailing economic factors. Arlingclose produced an economic update examining interest rate forecast for the next 24 months. The relevant teams in the Council would be informed on what the future cost of borrowing assumptions would be which would feed directly into the business cases for capital schemes.

RESOLVED:

1. To note the treasury management activity undertaken during the financial year to 31 March 2023 and the performance achieved which is attached as Appendix 1 to this report.
2. To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

7. ANTI-FRAUD AND CORRUPTION PROGRESS REPORT 2022/23 - QUARTER 4

Ms Vanessa Bateman, Deputy Head of Audit and Risk Management, introduced the report.

The meeting heard that:

- In relation to tenancy fraud, the teams involved were legal and tenancy management officers. Referrals could be received from anywhere, but they were mostly received from tenancy management officers. There was a case management system and it was imbedded. Prosecutions may take time – up to a few years. An analysis could be done for this in future reports.
- Fraud relating to blue badges was a new area of work. There have been a lot of investments in blue badges and Technology in relation to the area of blue badges. It was important to focus on deterrents and this came with sanctions and prosecutions. There had been an employee related case in relation to blue badges and this case was prosecuted.
- An income-flow would be generated from the work.
- It was ideal that this income was streamed into Parking and Fraud teams as the teams were small.
- A significant amount of time had been spent in the year to get officers to follow through on actions, although chasing actions from a practical perspective was not particularly taxing.
- The case management system allowed the cases to be monitored and accessed easily. Legal and the Housing Management Tenancy teams have their own systems. There was good working relationship between the three teams.
- The no recourse to public funds team performed a lot of checks and balances. The Audit and Risk team would usually get complex cases perhaps where financial fingerprints needed to be established.
- Temporary Accommodation was one area where savings could be made. It was clear that there was a lack of preventative checks in the housing system. More data intelligence needed to be used to be able to foresee issues. However, improvements in systems were always being sought.
- Audit and Risk tended to understand risk, quantify and identify it and collate the work to help everybody else involved to understand the issue before the relevant management was approached.

The Chair felt it would be useful to have an update on Temporary Accommodation. It would also be useful to highlight areas of greatest risks to the Council via regular reporting.

RESOLVED:

To note the activities of the team during quarter four of 2022/23.

8. DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

Mr Minesh Jani, Head of Audit & Risk Management, introduced the report.

The meeting heard that:

- The table outlined on page 27 of the agenda papers, attempted to show new values and behaviours in how the Council wanted to carry out its operations.
- The two columns sought to define what the Council would do differently in all operations of the Council.
- An update would be provided on proposed action plans outlined on page 45 of the agenda papers within six months' time and may take longer to address fully. For example, the need for financial savings was something that had been ongoing for the past few years and was likely to go on for some years due to the nature of what the issues were and the financial positions of all local authorities.
- The second issue listed on page 47 of the agenda papers referred to a governance issue being raised last year. At the time, the Council were expecting the transition of Homes for Haringey into the Council. The Council was not confident that it had all the appropriate governments arrangements to fully return Homes for Haringey to the Council to a satisfactory level. At the presentation of the last annual report, a number of failings within key operations had been identified. There was concern that when Homes for Haringey was transferred into the Council, there would be a number of services which were not performing as well as they could.
- Under the Audit Committee's terms of reference, the Audit Committee could invite directors to attend the Audit Committee and answer questions or to present to the Committee regarding concerns in the three areas of the Committee's terms. These were internal controls (how to ensure that business operates in a way that provided the right outcome. For example, the reports indicating limited assurance for controls were not effective), risk management (this allowed the Committee to request that the services explain how the risks were managed) and governance (the level in which the Council was carrying out its operations).
- Members asked if it may be useful to have any significant issues identified in the report from last year be carried forward and were asked to note the update at para 4.2 of the report relating to significant governance issues raised in last year's AGS.
- The Chair could refer matters onto Chairs of other committees and to the Leader of the Council.
- It would be useful to receive a report on risk management strategy which included an update (or a risk management strategy) on leisure services by the next meeting.

Councillors felt it would be useful to receive an update on Housing from the Lead Member or Director of Housing in addition to a report.

RESOLVED

1. The Audit Committee approve the draft 2022/23 AGS, attached at Appendix A.
2. To note the approval timescale and processes for the draft 2022/23 Audit Governance Statement.

9. ANNUAL INTERNAL AUDIT REPORT 2022/23

Mr Minesh Jani, Head of Audit & Risk Management presented the report.

The meeting heard that:

- A culture of learning and development was prominent in some parts of the Council.
- When a review was carried out, the reason why information may not be up to date ranged from a host of different reasons. For example, systems had not been implemented in a way the service was expecting and therefore it was unclear how the data needed to be utilised.
- Housing Systems had gone through a big change to a new system but had not finished with relevant updates so the records were not as thorough as they needed to be. This was true of other parts of the Council.
- Record keeping also suffered from other issues such as information not being held properly on systems; they may be held in directories or folders and it may be difficult to get hold of certain information when approaching a department collectively. Some information simply was not recorded in a diligent manner and there were also inconsistencies in how information was recorded such as the use of shorthand or abbreviations. These issues needed to be put right. It would be helpful to have the issues dealt with before a full audit was carried out. This was probably likely to take place next year.
- Approximately two years ago, a number of reviews testing procurement in different parts of the Council. The Council was found to be not as effective as it should be in procurement matters. The reports highlighted a number of areas with recommendations and as a result the Council had decided to review procurement operations and the operating model and redesign it along with applications and systems as they were not particularly effective.
- A decision had also been made to review the staff arrangements regarding the manner in which procurements were carried out. There were three strands to this; how to be clear on when to let and manage a contract, how to be clear on ensuring that the Council accurately gets what it needs (how to specify the proposals) and finally contract registers (how to ensure that the procurement is not something another organisation had procured).
- The Head of Procurement could be able to provide an update to the Committee.
- For voids, the process would change and this may take up until the end of the year. There was an urgency that the voids would be dealt with and brought back to use. The Housing Directors would be asked for an update.
- There was oversight of the procurement team independent from the procurement team. This occurred when the value of a contract exceeded £160,000, at which point, strategic procurement became involved in the procurement activity. There was a proposal to reduce the threshold to £25,000 and this would then account for most of the procurement activity.

- Full Council had noted the different cost amounts delegated to heads of services.
- Contract management and leisure services was part of plan for 2023/24. The table in the agenda papers contained audit plan from last year and changes that were made from the original plan form last year.
- Page 81 of the agenda papers, there were four reports waiting to be finalised. Depending on what was indicated by the outlined table, some elements would be taken away and formed into the current year's audit plan.
- The Council wanted to improve upon was analysis on where the Council would meet the recommendations. A lot of resources was focused upon on how this would be identified. A lot of the recommendations that had not been implemented related to areas which had various areas of concern including procurement. Two steps would be taken to address the issues. Firstly, the Chief Executive of the Council would see all recommendations implemented in a timely way. The Chief Executive would be informed where recommendations had not been implemented. From an audit perspective, further checks would be carried out regarding implementation and the matter would be escalated, where necessary.
- DBS checks suffered from issues regarding speed and processing. Some effort needed to be made to understand relationship between schools and other providers in order to attempt to address the issue.
- Contracts at schools were not internal contract and were managed by schools.
- In relation to limited assurance, the number of limited assurances and the areas of limited assurances, these extended beyond procurement and the Homes for Haringey transition and directors were asking for audits in areas of weakness
- There was an idea of how the Council operated and the operations were risk prioritised those and if there were issues of fraud, then these issues would be targeted. Generally, most of the limited assurances could be attributed to the directors pointing the Audit team in a specific direction or Homes for Haringey but the Audit team played a role in identifying the areas.
- There were weaknesses in commissioning arrangements in the authority and they were limited to broader issues regarding procurement. Further another perspective was to examine systems and how technology was used set the commissioning arrangements be as effective as possible.
- The awareness of concerns relating to commissioning was not as high as it was for procurement. However, within the services in commissioning, it was better understood that there was a strong drive to improving commissioning. It was possible to do more to highlight issues in commissioning.
- There had been four recommendations regarding the carers services which had not been implemented.

RESOLVED:

To note the content of the Head of Audit and Risk Management's annual audit report and assurance statement for 2022/23.

10. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

11. DATES OF FUTURE MEETINGS

The next meeting would be held on 21 September 2023.

CHAIR: Councillor Mary Mason

Signed by Chair

Date

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Corporate Committee – Action Tracker

Meeting date	Action	Response	Who by	Status
<p>2 February 2023</p>	<p>Clarity on the data migration issues and the date that would be resolved including the changing of IT software.</p> <p>Clarity on the mitigating risk form.</p>	<p>Mark Stevens: It is being jointly addressed by the Directors of Finance and Environment & Resident Experience with Taranto (the parking IT system provider) and Civica (who used to provide the financial data). Colleagues from IT are also involved in that process with a view to achieving clarification by the end of March 2023. The appropriate closure of the 2022/23 account will follow thereafter but there does now appear to be a mechanism for closing the preceding two years of accounts.</p> <p>Officers in Finance and Parking Services have worked together with Taranto Systems Limited to establish the creation of end-of-year finance reports for parking that have been tested and have already gone live. The expectation is that those reports will provide the appropriate level of detail needed to satisfy the auditors when run on 31st March 2023.</p> <p>Officers in Finance and Parking Services worked together with Taranto Systems Limited and created end-of-year finance reports for parking that were tested, went live, functioned correctly for 2022/23 and will be functional for the end of 2023/24 and future financial years. Taranto Systems Limited produced end-of-year finance reports that met the requirements of Finance officers to allow the closure of the 2020/21 and 2021/22 accounts.</p>	<p>Mark Stevens</p>	<p>Now closed</p>

15 September 2022	To send the chair information regarding the number of contracts that had three quotations and the amount of contracts that had more than a single bidder.	<p>Barry Phelps: A special report needs to be written by the systems provider to ascertain this information. We have requested what if any cost is associated with this along with timescales.</p> <p>Barry Phelps: Not possible to report on this level of information from the current systems.</p> <p>3 quotes and single bidder – as per previous update not possible to report on this, systems do not have capability to report at this level</p>	Barry Phelps	Now Closed
15 September 2022	At appendix 1 in the table titled 'Arrangements for letting contracts', a committee member noted that the wording should be affirmative not passive. For example, to use 'ensure' rather than 'consider'.	<p>Barry Phelps: Currently liaising with Audit & Risk colleagues to understand what scope there is in amending the report to be more affirmative.</p> <p>Barry Phelps: Audit report updated as requested and passed back to Audit.</p>	Barry Phelps	Now Closed
15 September 2022	Assess the feasibility of setting up internal contracts register by the end of 2022. Additionally, to look into bringing any other actions forward, where possible, before the planned implementation date of the procurement software at the end of 2023.	<p>Barry Phelps: It may be possible to manually create a simplified contract register with basic information (i.e. reference, supplier, short description start and end date, value) on a quarterly basis from the four primary corporate procurement systems. This will be attempted at the end of Q3.</p> <p>Jack Booth: it was reiterated at the 15 November 2022 that the committee would want to see this simplified contract register for the next meeting in February 2023.</p> <p>Barry Phelps: A consolidated contract register has been completed. There is one small set of data to be added when this comes through from the provider. The report will be updated upon receipt.</p>	Barry Phelps	Now Closed

		Consolidate contract register – completed Contracts and Frameworks Intranet		
15 September 2022	To send committee members the right to buy process to pass on to residents where necessary.	Jack Booth: The Assistant Director of Strategy, Communication, and Collaboration is speaking to housing colleagues to liaise with the Leaders office to arrange. Claire McCarthy: A suggestion has been made to the Leaders Office about providing a briefing for Members on the right to buy process. There were a lot of requests for all member briefings on topics which have to be balanced on the basis of urgency. A further follow up would be completed but the action should possibly have been a request for an all Members briefing – which has been made and therefore the action is complete. Ultimately it is for the relevant Cabinet Member to prioritise, schedule etc All Member Briefings.	Claire McCarthy	Ongoing
15 September 2022	To look into organising a members training around the right to buy.	Jack Booth: The Assistant Director of Strategy, Communication, and Collaboration is speaking to housing colleagues to liaise with the Leaders office to arrange. Claire McCarthy It needed to be established as to who would provide the training. A request has been made for for an All member briefing/training session on RTB. Cllr Williams is the new Cabinet Member for this area	Claire McCarthy	Ongoing
15 November 2022	Following on from this completed action from the 15 September 2022 meeting: ‘... [set] up an informal group with the Head of Procurement, the Head of Audit & Risk Management, and the CEO	The issues arising from the procurement audits have been raised with the Head of Procurement, the Director of Finance (DOF) and the CEO. The DOF has advised the Head of Procurement, the	Minesh Jani	Completed

	to ensure that issues around procurement were resolved in a timely manner.’ The committee asked that reports from these meetings be submitted to the committee so they could see the progress of procurement issues.	Head of Audit and Risk Management and the DOF will meet regularly and report to the CEO. The Head of procurement will provide updates on actions to the Committee on a regular basis.		
15 November 2022	To send to committee members the date when officers had carried out assessment of suitability of CCTV operations.	Assessments for all permanent sited cameras were completed by the end of Nov 2022. For cameras that are portable, a fresh assessment is completed based on the new location.	Minesh Jani	Completed
15 November 2022	To organise external audit training with the external auditors before July 2023.	Completed – Training for Financial Reporting has been arranged for 28 March 2023 and will be delivered by the Head of Finance (Housing & Chief Accountant)..	Minesh Jani	Completed
15 November 2022	To circulate CIPFA training advice to committee members.	Completed – the advice from CIPFA was circulated to Committee members on 18 Nov 2022.	Minesh Jani	Completed
20 July 2023	The Chair felt it would be useful to have an update on Temporary Accommodation. It would also be useful to highlight areas of greatest risks to the Council via regular reporting.		Minesh Jani	
20 July 2023	The meeting felt It would be useful to receive a report on risk management strategy which included an update (or a risk management strategy) on leisure services by the next meeting.		Minesh Jani	