

NOTICE OF MEETING

CORPORATE COMMITTEE

Tuesday, 28th March, 2023, 7.00 pm - Woodside Room, George Meehan House, 294 High Road, Wood Green, N22 8JZ (watch the live meeting [here](#) and watch the recording [here](#))

Members: Councillors Amin, Mark Blake, Rossetti, Abela, Adje, Culverwell, Diakides (Chair), Dogan (Vice-Chair), Jameson, Mahbub, Mason and Simmons-Safo

Quorum: 3

1. FILMING AT MEETINGS

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on. By entering the 'meeting room', you are consenting to being filmed and to the possible use of those images and sound recordings.

The Chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual, or may lead to the breach of a legal obligation by the Council.

2. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

3. URGENT BUSINESS

The Chair will consider the admission of any late items of Urgent Business. (Late items will be considered under the agenda item where they appear. New items will be dealt with under item 13 below).

4. DECLARATIONS OF INTEREST

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and

(ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

To consider any requests received in accordance with Part 4, section B, Paragraph 29 of the Council's Constitution.

6. MINUTES (PAGES 1 - 10)

To confirm and sign the minutes of the Corporate Committee meeting held on 2 February 2023 as a correct record.

To review the Action Tracker.

7. 2020/21 PROCUREMENT INTERNAL AUDIT UPDATE (PAGES 11 - 14)

To receive an update on the 2020/21 Procurement Internal Audit.

8. EXTERNAL AUDIT UPDATE (PAGES 15 - 20)

To receive an update from the external auditors.

9. INTERNAL AUDIT PROGRESS REPORT 2022/23 - QUARTER 3 (PAGES 21 - 38)

This report details the work undertaken by Internal Audit in the quarter ending 31 December 2022 and focuses on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised.

10. INTERNAL AUDIT PLAN, STRATEGY AND CHARTER 2023/24 (PAGES 39 - 62)

The Corporate Committee is responsible for reviewing and approving the annual internal audit plan as part of its Terms of Reference.

11. ANTI-FRAUD AND CORRUPTION PROGRESS REPORT 2022/23 - QUARTER 3 (PAGES 63 - 70)

This report details the work undertaken by the in-house resources in the Audit and Risk team and communicates the work plan for 2022/23.s report details the work undertaken by the in-house resources in the Audit and Risk team and communicates the work plan for 2022/23.

12. TREASURY MANAGEMENT REPORT (PAGES 71 - 84)

The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) requires the Council to approve reports on the performance of the treasury management function at least twice yearly (mid-year and at year end). This quarterly report provides an additional update.

13. NEW ITEMS OF URGENT BUSINESS

To consider any items of urgent business as identified at item 3.

14. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

To be confirmed.

15. EXCLUSION OF THE PRESS AND PUBLIC

Item 16 is likely to be subject to a motion to exclude the press and public from the meeting as it contains exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); paras 1,2,3 or 4.

16. NEW ITEMS OF EXEMPT URGENT BUSINESS

Nazyer Choudhury, Principal Committee Co-ordinator
Tel – 020 8489 3321
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Fiona Alderman
Head of Legal & Governance (Monitoring Officer)
George Meehan House, 294 High Road, Wood Green, N22 8JZ

Monday, 20 March 2023

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MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON THURSDAY, 2 FEBRUARY 2023, 7:00PM - 8:15AM

PRESENT:

Councillors: Amin, Rossetti, Abela, Adje (In the Chair), Culverwell, Jameson and Mahbub

PRESENT ONLINE:

Councillor Diakides

1. FILMING AT MEETINGS

Upon opening the meeting, the Committee noted that the Chair, Cllr Isodoris Diakides and Vice Chair Cllr Erdal Dogan had submitted their apologies and would not be attending the meeting. The Clerk then asked the Committee to nominate a Chair for the meeting.

It was MOVED by Councillor Kaushika Amin, SECONDED by Councillor Sue Jameson and

RESOLVED: That Councillor Charles Adje be elected Chair for the meeting.

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

2. APOLOGIES FOR ABSENCE

Apologies had been received from Councillor Isodoris Diakides, Councillor Erdal Dogan, Councillor Mark Blake and Councillor Michelle Simmons-Safo.

3. URGENT BUSINESS

There was no urgent business.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were none.

6. MINUTES

RESOLVED:

To confirm and sign the minutes of the Corporate Committee meeting held on 15 November 2022 as a correct record.

The Committee felt that it was good practice to make sure that proper governance was applied to the procurement arrangements. Meetings had taken place between the Director of Finance, Head of Procurement and the Head of Audit and Risk Management to try to arrange

for the governance for the scrutiny of the actions brought to the Committee. The Committee would receive an update at the meeting on 28 March 2023. The Head of Procurement would be in attendance to answer any questions.

7. POLLING DISTRICTS AND POLLING PLACES REVIEW

Mr Mark Stevens, Assistant Director, Direct Services, presented the report.

The Committee heard that:

- There had been a substantial change from 19 wards to 21 wards for the May 2022 local elections. The new wards were set by the Local Government Boundary Commission for England.
- The Council then took decisions, based on the practicalities of capturing the population distribution in the most balanced way possible, making sure all areas of the population had accessible properties to use as polling stations.
- Some of the polling places were no longer appropriate for the revised wards leading to the issue of residents attempting to vote in the incorrect location, out of habit. This had been exacerbated by having some polling stations just outside of the zones where people were supposed to be voting.
- A large quantity of pre-election communication work was done and there was an all-party member working group set up for the original review process. There was a total of 12 councillors in total to ensure that all formal processes had been met.
- A communications plan was put together to ensure that the messaging was delivered. Every single polling card had clear instructions regarding which polling stations electors should attend, but some individuals ended up going to the wrong station.
- Efforts were made to ensure that suitable buildings were used for people to go to.
- Efforts were made to reduce walking time for areas such as Muswell Hill which could be difficult for pedestrians to walk up.
- It would be very difficult to put a poster up on a previous polling station indicating the change to a new polling station as it was not always a direct and consistent change for all residents using a particular polling station.
- The items needed to be taken by residents attempting to vote would change as voter ID would be implemented in the future. This would result in further messaging that would need to be distributed to residents. An all-member briefing would be given and detailed information be distributed to all the relevant channels, including councillors.
- It was not yet clear how residents or voting habits would be affected by the new voter ID requirements.
- More resilient signage will be put in place for future elections to accommodate weather-based difficulties.

The Committee expressed that:

- There had been some voting issues in Alexandra Ward, possibly resulting in several voters who ended up not voting. An overreliance on polling cards was not a good idea as many voters did not bring them.
- It would be useful to ask residents how they felt about their polling stations particularly how far away they felt they were from their polling station.

RESOLVED:

1. To approve the polling scheme describing the polling districts and the polling places for the London Borough of Haringey as set out in Appendix 1 of the report.
2. To grant the (Acting) Returning Officer ((A)RO) and the Deputy (Acting) Returning Officers delegated authority to amend the polling scheme where the names of buildings change and for specific elections where strictly necessary for a particular election, including changing polling places.
3. To delegate to the Electoral Registration Officer ("ERO") the authority to approve correction of any minor errors in allocating properties to districts on transferring the maps in Appendix 1 into the electoral registration software.

8. TREASURY STRATEGY

Mr Tim Mpofu, Head of Pensions and Treasury, presented the item. Members expressed concern regarding the amount of increase in the Council's borrowing requirement, during a period of high interest rates.

The Committee heard that:

- The contents of the document were set by statutory requirements to what should be included in a treasury management strategy statement (TMSS). It was usually included as part of the Council's budget setting process. It was noted that individual capital schemes are assessed and evaluated separately, with a summary included as part of the Council's Capital Strategy document. As such, capital programme decisions did not form part of the TMSS.
- The TMSS considered the required levels of long-term borrowing to be undertaken by the Council over the Medium Term Financial Strategy (MTFS) period. It was noted that the MTFS would be agreed by Cabinet before being approved at a meeting of the full Council.
- It was noted that section 7 of the appendix set out the prudential indicators which were limits on how the treasury management decisions were made.
- It was noted that maturity structure of the Council's borrowing was spread out over several years. This indicator was set to control the Council's exposure to refinancing risks, reducing the need for the Council to replace all its maturing debt at the same time.
- The target limit for short term borrowing would be at a maximum of 30% of total borrowing.
- In theory, if the Council did not incur further capital expenditure, over time the total amount of debt would be expected to reduce as there would be no new debt issued by the Council. However, it was noted that the Council would still be required to undertake further capital expenditure to deliver on important projects such as schools buildings refurbishments or new housing development projects. This capital expenditure would need to be funded in part by undertaking additional new borrowing.

The Committee expressed that:

- Concerns raised by members regarding the significant increase in the borrowing requirement and the funding of projects needed to be carefully considered by the Section 151 Officer in consultation with relevant cabinet members.
- It was suggested that perhaps officers could consider including more information as part of the covering report.

- It would be useful for training on the subject matter be completed prior to the date of the meeting to enable members to fully consider the contents of the report.

RESOLVED:

1. To agree the proposed updated Treasury Management Strategy Statement for 2023/24 and recommend to the Full Council for approval.
2. To note that the Overview and Scrutiny Committee and the Cabinet Member for Finance have been consulted in the preparation of the Treasury Management Strategy Statement.

9. 2020/21 AUDIT PROGRESS REPORT

Mr David Eagles, External Audit Partner and Engagement Lead for Haringey Audit presented the item.

The Committee heard that:

- Analysis on Council dwellings and Beacon properties was still to be completed fully.
- The way properties were valued was through the Beacon method. For example, for a large number of two-bedroom high rise flats, one would find a value for sales of similar types of properties and use that sale (discounted on the basis of it being a social housing asset) and multiply it by the number of different flats within that Beacon Group. Therefore, for 3000 flats classed as two-bedroom high rise flats, one would be valued followed by a mathematical calculation of the total value of the number of flats. If there was a small error in one of the valuations then this would multiply by the number of flats potentially leading to a mass valuation error.
- Recent or 'as recent as available' sales values for certain types of properties were used, but sometimes sales volumes were very small. This meant that sometimes estimated valuation would be taken from a property that was close but not quite the same property. When this occurred, adjustments in valuation needed to be made.
- It was important for the Council to have expected arrangements in place for adequate budgeting regardless of potentially expected government funding. A significant weakness issue could be raised if it was felt that the Council had managed its budget well but through fortuitous government funding rather than adequate financial planning.
- Financial sustainability used to be one of the considered areas of significant risk under the previous practice approach. There was already documentation regarding how arrangements had worked until 2019/20 financial year. BDO would simply update the understanding of the arrangements, fill in any gaps which the new requirements would need and examine the documentary evidence trail of assessments being made. This would include supporting working papers, financial plans, budgets and papers submitted to Members.
- Work was being done with colleagues in Finance to ensure that the parking management IT system generated all the reports required in the future to give assurance to Finance and to the Auditors that there was a clear audit trail in place for every single Penalty Charge Notice issue.

The Chair queried when the data migration issues would be resolved including the changing of IT software use and an update to this would be provided at a future meeting, including a firm date. The Committee also queried the report on page 170 of the agenda papers which

stated that the 'consultant will have to request access by filling in a form' and a response to this query would also be provided.

The Committee noted that the presentation was a progress report and the audit process had not yet been completed.

RESOLVED:

That the presentation be noted.

10. DEPUTY ELECTORAL REGISTRATION OFFICERS

Mr Mark Stevens, Assistant Director, Direct Services, presented the report.

The Committee heard that the only underlying difficulty regarding the matter was if the Council needed to issue a voter authority certificate within a matter of days and the Chief Executive was not available to approve it. It was therefore in the Council's best interest to have Deputy Electoral Registration Officers in place, putting the Council into a more robust position.

RESOLVED:

To approve the following postholders as Deputy Electoral Registration Officers:

Head of Electoral Services (Gareth Harrington), Deputy Head of Electoral Services (vacant post), Monitoring Officer / Head of Legal and Governance (Fiona Alderman) and Chief People Officer (Dan Paul).

11. NEW ITEMS OF URGENT BUSINESS

There were none.

12. DATES OF FUTURE MEETINGS

The next meeting would be held on 28 March 2023.

13. EXCLUSION OF THE PRESS AND PUBLIC

Item 14 was subject to a motion to exclude the press and public from the meeting as it contained exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3.

14. EXEMPT MINUTES

RESOLVED:

To confirm and sign the exempt minutes of the Corporate Committee meeting held on 15 November 2023 as a correct record.

15. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were none.

CHAIR:

Signed by Chair

Date

Corporate Committee – Action Tracker				
Meeting date	Action	Response	Who by	Status
2 February 2023	<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>	Mark Stevens	Ongoing
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>	Barry Phelps	Ongoing
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'.	Barry Phelps: Currently liaising with Audit & Risk colleagues to understand what scope there is in amending the report to be more affirmative.	Barry Phelps	Ongoing

		Barry Phelps: Audit report updated as requested and passed back to Audit.		
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	Completed and Ongoing
15 September 2022	To send committee members the right to buy process to pass on to residents where necessary.	<p>Jack Booth: The Assistant Director of Strategy, Communication, and Collaboration is speaking to housing colleagues to liaise with the Leaders office to arrange.</p> <p>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.</p>	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.	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 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.	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 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.	Minesh Jani	Completed
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

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Report for: Corporate Committee – 28th March 2023

Item number: 7

Title: 2020/21 Procurement Internal Audit Update

Report authorised by: Jon Warlow, Director of Finance

Lead Officer: Barry Phelps, Head of Strategic Procurement

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non-Key Decision

1. Describe the issue under consideration

1.1. In September 2022 the Head of Procurement presented an update to Corporate Committee in relation to three audit reports undertaken on 2020/21 which had limited assurance. The three audit reports were:

- Arrangements for Letting Contracts.
- Contract Management; and
- Management and Use of Waivers.

1.2. This briefing note provides a further update in relation to the actions arising from the Corporate Committee meeting.

2. Cabinet Member Introduction

N/A.

3. Recommendations

3.1. The Committee is requested to note the updates contained in this report and the production of a consolidated contracts register.

4. Reasons for decision

4.1. At Corporate Committee meeting held on the 15 September 2022, the Head of Procurement provided an update on the Audit reports stated in 1.1 above. The Committee requested the following actions be undertaken:

4.1.1. 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.

4.1.2. 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'.

4.1.3. 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.

5. **Alternative options considered** **N/A**

6. **Background information**

Corporate Committee is invited to note the updates of the previous actions below:

6.1. **Action** - 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.

Update – Strategic Procurement has explored with the procurement technology provider whether it is possible to report on the number of responses arising from a request for quote procedure (RFQ). No standard report exists for this. Strategic Procurement then explored if a special report could be written. The systems provider confirmed this was not possible due to the limitations of the system.

The only other option would be to manually check each RFQ manually, of which there are thousands, to establish the quantum of responses and single bids received. Due to capacity constraints this would not currently be possible.

The Council is in the process of procuring a new e-procurement system with enhanced functionality and reporting capability, it is anticipated the Council will be able to analyse the number of bids received for procurements in the new solution.

6.2. **Action** – 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'.

Update – The report has been amended to be more affirmative reflecting the Committee members comments.

6.3. **Action** - 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.

Update – The Head of Procurement has compiled a simplified consolidated contracts register of all known contracts procured through the various corporate systems. This has not been appended due to the file size; however if need be the Head of Procurement will demonstrate at the Committee meeting.

The intention is to undertake this activity at the end of each quarter and publish the contract register internally and externally.

Audit colleagues are in the process of undertaking an audit of the consolidated contracts register and will report their findings shortly.

7. Contribution to strategic outcomes

N/A

8. Statutory Officer Comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

8.1 Finance

There are no direct financial implications arising from the contents of this update report.

8.2 Strategic Procurement

The Head of Procurement recognises the limited functionality within the current procurement and contract related systems including those concerns raised in the various Audit reports. The Council is in the final stages of procuring a new e-procurement solution, which covers the entire procurement and contract management lifecycle, and is integrated into the invoicing function.

The specification for the new e-procurement solution includes all of the Audit recommendations. Therefore, when the new solution is implemented over the next 12 months, it is anticipated this will provide enhanced efficiencies, controls and reporting capability.

8.3 Legal

The Head of Legal Services has been consulted and confirms that there are no direct legal implications arising from this report. The terms of reference for Corporate Committee provide that its audit functions include “providing assurance about the adequacy of the Council’s Risk Management Framework and Policy and monitoring the effectiveness of systems for the management of risk across the Council and compliance with them”. Accordingly, consideration of this report falls within the remit of Corporate Committee.

8.4 Equality

N/A

9 Use of Appendices

N/A

10. Local Government (Access to Information) Act 1985

N/A

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LONDON BOROUGH OF HARINGEY

Update to Corporate Committee
Progress with 2020/21 audit
28 March 2023

David Eagles, Partner

IDEAS | PEOPLE | TRUST





INTRODUCTION

Update on 2020/21 audit and Housing Benefits certification

The purpose of this report is to inform the Corporate Committee on the progress of the 2020/21 audit since our Progress report to the Committee on 2 February 2023 and Housing Benefits certification work for 2020/21 and 2021/22.

This update is based on the position up to and including 17 March 2023.



2020/21 AUDIT

Progress made

We have continued to work with the Council's Finance Team on resolving residual issues. Progress has been made in the following areas:

- HRA beacons valuations
 - Further work has been done on valuations to consider whether the valuers' initial or subsequent work provides a sufficient and independent basis for inclusion in the Statement of Accounts. This includes consideration of a further proposed piece of work suggested by the valuer.
 - We consider these do not but we are consulting internally on what additional work would be necessary to address the concerns, including who needs to do this work and how the earlier work feeds into this
- Parking debtors:
 - The Finance team have been able to obtain detailed previous system analysis as at end November 2021 as a potential starting point for audit testing, but are trying to obtain an earlier dated analysis (closer to end March 2021)



2020/21 AUDIT

Progress made (continued)

We have continued to work with the Council's Finance Team on resolving residual issues. Progress has been made in the following areas:

- Infrastructure:
 - Discussions have been had with Finance relating to key areas of focus
 - A BDO audit quality panel is in the process of finalising a comprehensive/consistent work programme - i.e. minimum agreed focus and level of testing that must be applied at all audited bodies where infrastructure assets are held



2020/21 AND 2021/22 HOUSING BENEFITS WORK

Progress and current focus of work

The 2020/21 claim was certified on 16 March 2023, so has been completed

The 2021/22 work has already commenced, including reperformance of initial testing samples and some 40+ testing



CONCLUSIONS

Any questions?



Report for: Corporate Committee – 28 March 2023

Item number: 9

Title: Internal Audit Progress Report 2022/23 – Quarter 3

Report authorised by: Director of Finance

Lead Officer: Minesh Jani, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: minesh.jani@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non-Key Decision:** Information

1. Describe the issue under consideration

- 1.1 This report details the work undertaken by Internal Audit in the quarter ending 31 December 2022 and focuses on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised. The Council's internal audit work is delivered by the external provider (Mazars).
- 1.2 Members requested an update on the implementation of priority 1 audit recommendations.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 The Corporate Committee is recommended to note the audit coverage and follow up work completed.

4. Reasons for decision

- 4.1 The Corporate Committee is responsible for monitoring the completion of the annual internal audit plan and the implementation of agreed recommendations as part of its Terms of Reference.
- 4.2 In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee on the work undertaken by the Internal Audit Service in completing the annual audit plan. Where further action is required or recommended, this is highlighted with appropriate recommendations for the Corporate Committee.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The information in this report and enclosed at Appendices A and B have been compiled from information held within Audit & Risk Management and from records held by Mazars.

7. Contribution to strategic outcomes

7.1 The internal audit work makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The work completed by Mazars is part of the framework contract which was awarded to the London Borough of Croydon to 31 March 2024, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. The maintenance of a strong internal audit function and a proactive and reaction fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal

The Head of Legal and Governance has been consulted in the preparation of this report and advises that there are no direct legal implications arising from the report.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- 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.

As contracted providers of Haringey Council, the internal audit contractor is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010. Ensuring that the Council has effective internal audit and assurance arrangements in place will also assist the Council to use its available resources more effectively.

9. Use of Appendices

Appendix 1 – Mazars Progress report – Internal audit

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.

11. Performance Management Information

11.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management. Table 1 below shows the targets for each key area monitored and gives a breakdown between the quarterly and cumulative performance.

Table 1 – Performance Indicators

Ref.	Performance Indicator	3rd Quarter	Year to date	Year-end Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	27%	52%	95%
2	Priority 1 recommendations implemented at follow up	100%	100%	95%

12. Internal Audit work – Mazars

12.1 The activity of Mazars for the third quarter of 2022/23 is detailed at Appendix 1. Mazars planned to have delivered 440 days of the annual audit plan (734 days) by the end of the quarter (to 31 December 2022). In quarter 3 Mazars delivered 174 days bringing the year-to-date total to 386.5 days. Factors such as the need to undertake some schools and key finance systems audits in the year mean a lower proportion of work is started by Quarters 3, though the work planned for quarter 3 was progressed. We have agreed a target of 95% with Mazars to be delivered by the end of quarter 4. There are some audits that are scheduled to start in March that will be completed in April.

12.2 Members of the Corporate Committee receive detailed summaries of all projects for which a final report has been issued to allow for any concerns which members may have to be considered in a timely manner. Appendix 1 provides a list of all final reports which have been issued during the quarter.

12.3 Significant issues arising in Quarter 3

There was one report finalised assigned “Nil” assurance and six reports issued that were assigned “Limited” assurance in this quarter.

Commercial Property

The Council manages 944 commercial properties with the Strategic Property Unit (SPU) being responsible for the management of statutory property

compliance, management of rental income, repairs and maintenance, and the management of void commercial properties. The team is led by the Director of Placemaking & Housing, who oversees the Assistant Director of Capital Projects & Property who in turn is supported by the Head of Service. The Commercial Property Manager and the Asset Manager are responsible for managing the day-to-day operations. The annual rental income from commercial property is £8.9m.

During the audit, it was noted there were issues with the control environment for Commercial Property. Our findings highlight significant failings in all aspects of the management and control of the Council's Commercial Property. Consequently, Internal Audit has raised 32 recommendations (15 priority 1, 10 priority 2 and seven priority 3), and recommended an urgent need for a fundamental change in the operations of Commercial Property. The key issues noted were: -

- A lack of approved Policies & Procedures related to Commercial Property Management;
- Failure to comply with Lease obligations including statutory obligations resulting from lack of site visits on void and occupancy properties;
- No meaningful reporting arrangements over commercial property activity including operational and strategic KPIs and performance arrangements;
- No central repository to store prime records such as building compliance documents, leases, inspection records etc;
- Failures in H&S property compliance identified;
- Data on SAP is not accurate and up to date; and
- Significant number of rent reviews and lease renewals are considerably overdue.

Delivery of the Haringey Climate Change Action Plan

Environmental sustainability has become an increasing area of interest within the UK, with the UK Government announcing a target of net zero greenhouse emissions by 2050. Haringey Council (the Council) publicly declared a climate emergency in March 2019.

Following consultation, the Council's Climate Change Action Plan (CCAP) was produced, with the aim of the Council becoming a net-zero council by 2027 and achieving a net-zero borough by 2041. The CCAP sets out the three key strategic deliverables required for the Council to meet its target: first stage delivery focussed on buildings and transport emissions, second stage delivery with a focus on corporate operations, and a third stage delivery which focuses on energy and energy supplies within the borough. Following its launch, the CCAP has undergone a process of public engagement to increase the awareness of the issues around climate change, highlight the level of work

required to deliver this ambition, gather the views of the community on the Action Plan, and help prioritise actions. The CCAP was adopted in the Cabinet meeting dated 9 March 2021.

The CCAP is very important to the Council. The Council oversees a borough with a population of 255,000, and a young-leaning demographic with 25% of residents aged between 0 and 19 – as such focus and interest from the community is likely to continue to strengthen over time. Given the collaborative nature of the CCAP, and that residents must cooperate for the Council to achieve their goals, this high level of engagement is an asset.

Six recommendations were raised (two priority 1 and four priority 2) and this area marginally assigned “Limited” assurance. The key issues raised were: -

- Regular monitoring of the Council's progress against the Climate Change Action Plan does not occur;
- There is a lack of ownership of Climate Change Action Plan actions;
- The Climate Change Action Plan uses deadlines inconsistently and ineffectively;
- The Carbon Management Team is responsible for over 70% of the actions in the CCAP and may not have the resources to deliver all assigned actions;
- The Climate Change and Sustainability Officer Group meetings are not attended regularly by key department heads; and
- The Climate Change Action Plan does not demonstrate consideration of the costs and resource requirements for individual actions within the plan.

Delivery of MTFS Savings

The Council's Medium Term Financial Strategy (MTFS) provides the strategic framework and corporate financial policy document for managing the Council's finances over the medium term and ensuring sound governance and compliance with best practices. The MTFS updated Members on the key financial assumptions for the current year budget position (2022/23) and projections for the years 2023/24 to 2026/27 and identified the key financial risks and planned savings for the Council.

Given the impact of Covid, pre-agreed savings had not been met. Savings that had not been achieved had already been factored into the 2022/23 budget. The savings were rolled over to the base budget for future years. Information on the year-on-year position for savings proposals across the current MTFS period is monitored using MTFS Savings Tracker. The tracker is RAG rated and the audit focused on the 'Red' and 'Amber' items. At the time of the audit, approximately £4M of undeliverable savings were brought forward from the previous year and a total of £16.5M savings were needed 2022/23. The savings target for 2022-23

was £20.7m. As of period 6, the projected full year savings were £11.3m and the net non-deliverable savings were £9.4m.

While governance arrangements relating to the Medium-Term Financial Strategy savings plan are in place, the audit concluded the Council was significantly behind its objectives with respect to savings, resulting in net non-deliverable savings of £9.6m. The Auditors have provided overall “Limited” assurance as the Council was unlikely to achieve its savings targets (2021/22 net non-delivered savings were £4m).

Payroll

Payroll represents a critical risk in the running of an organisation. An improperly controlled payroll function can result in staff underpayment, leading to employee tribunals, civil actions, or fines, and staff overpayment, leading to avoidable financial loss. It can also heighten the risk of fraud. As such it is expected strong controls are in place over the payroll function.

Amendments to payroll data in relation to starters and leavers begins with the HR Support Services team, who make any required amendments within SAP. The Council does not currently operate a self-serve function.

Seven recommendations were raised in total (two priority 1, four priority 2 and one priority 3). The two priority 1 recommendations related to the following issues: -

- From a sample testing of 20 payments to leavers, two overpayments arose because the Payroll team not being informed in a timely manner; and
- Annual leave is recorded and managed outside of the Payroll HR System, which creates the risk that staff may take annual leave above their entitlement.

Early Years Commissioning

The Department for Education states that local authorities must secure the prescribed amount of free early years provision is available for each child in their area of the prescribed description from prescribed early years providers. In line with the Childcare Act 2006, Local Authorities must, as far as it is practical, include arrangements for sufficient provision of children’s centres to meet local need, this includes the need of the parents, prospective parents, and young children in the authority’s area.

The Early Help Strategy 2021- 2023 demonstrates the Council’s priorities and objective in early years. The Council’s Early Years Strategy has five strategic aims: -

- To work in partnership with our parents and carers to build resilience and enjoy family life;
- To support parents and babies before and after birth to create the conditions where stress is reduced, positive, bonds and attachments can form, and language and communications skills develop so that children are ready for life, enjoyment, and learning;
- To narrow the gap in attainment for different groups of children ensuring there is equitable access to early education and childcare for all children across the borough;
- To ensure all families have a healthy pregnancy and a healthy early year, by improving health and wellbeing and reducing health inequalities for all children; and
- Developing partnership and joined up infrastructure to deliver equitable outcomes and make best use of resources.

The Early Years has an approved Designated School Grants of £19,217,081 which is based on the January 2022 census.

14 recommendations were raised in total (two priority 1, nine priority 2 and three priority 3). The following issues were highlighted: -

- The Early Years business strategy document, was still in draft at the time of the audit;
- Childcare providers were not given a model agreement, which states the free childcare entitlements' terms and conditions;
- The Early Years team had not adapted DfE policies to fit the Council's arrangements, and they do not have a documented standard operating procedure document;
- There was no repository for policies and standard operating procedures;
- The Early Years' Service did not have a process to verify actual hours submitted by providers;
- New providers' bank details were not verified to ensure that the name on the bank statement matches the provider's business name that is on record and held by Ofsted;
- Budget monitoring was not held every month with the School Finance team; and
- The service did not have a repository for childcare providers records.

Management and Control of Anti-Social Behaviour

The Anti-Social Behaviour, Crime and Policing Act 2014 (the Act) introduced simpler and more effective powers to tackle anti-social behaviour (ASB). The Act provided changes to how local authorities respond to ASB, namely the introduction of case reviews, where victims have the right to request a review into how local agencies have responded to previous ASB complaints (Community Trigger). The Home Office published Anti-social behaviour

principles in October 2022 which sought to describe a consistent approach to understanding and addressing ASB in local communities. The principles emphasise the importance of support for victims, transparency of processes, multiagency working, and legal action, where necessary.

The team were allocated 415 cases between 1 October 2021 and 30 September 2022, of which 52 were classified as violent. A Community Safety Strategy is in place from 2019-2023 with a key focus of working with partners to improve lives of residents.

The ASB Manager receives monthly reports from the Council's Housing team with statistics from Northgate.

Seven priority 2 recommendations were raised in total and related to the following issues: -

- The service does not have a finalised ASB Policy, Procedure or Strategy in place;
- A new category of cases has been introduced, 'high priority', however, there is a lack of supporting guidance for staff on when this category should be used;
- Audit found limitations in the functionality of the Northgate system, used to record casework. Documentation relating to cases are not consistently saved centrally;
- Audit identified discrepancies in our testing of closed cases. All stages of a case are required to be recorded as complete, even if not applicable.
- Manager review and sign off of ASB cases is not regularly undertaken;
- Monitoring of performance in relation to responding to ASB cases should be improved; and
- We noted delays in responding to Community Trigger applications.

Recruitment, Retention and Leavers

The Council has a Recruitment Policy in place which provides the Recruitment Team with guidance on recruiting for new and existing posts within the Council. The Recruitment Team is involved in the operation of several services including, but not restricted to, recruitment, administration relating to starters and leavers, internal moves, and retention of staff within the Council. The various stages of recruitment are processed through a recruitment database referred to as Talent Link, which was implemented in April 2021. These stages include the submission of a Job Requisition Form and Job Profile, which is subject to the approval of the Head of Service.

In relation to leavers, the Line Manager of a leaver can submit a leaver notification through Halo, the Council's ticketing system for jobs raised, located on the Intranet. This notification is delivered to the HR Support Service Team.

The Line Manager also notifies Digital Services of a leaver through Halo, for the removal of their access to the Council's systems.

There is currently no integration between the two functions and plans are in place to combine elements and ensure effective communication between the HR Support Services and Digital Services Teams, such that the removal of leaver access to the Council's systems can be removed in an efficient manner.

10 recommendations were raised in total (two priority 1, five priority 2 and five priority 3).

13. Follow Up – Audit Recommendations

13.1 Internal audit follow up priority 1 recommendations and assess whether agreed recommendations have been implemented. Internal audit's record show 29 priority 1 recommendations; their status is as follows: -

• Fully implemented	5
• Partially implemented	3
• Not Implemented	7
• Recommendations due for follow up	6
• Recommendations not due	8

13.2 The recommendations that have been implemented will be removed from the register. The recommendations not implemented will be retained and followed up.

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APPENDIX 1

Introduction

This report for the 2022/23 financial year includes audit progress between August 2022 and February 2023 covering the 2022/23 Internal Audit Plan. The report provides information on assurance opinions on areas we have reviewed and gives an indication of the direction of travel for key systems work which will provide information on how risks are being managed over time. Full copies of our audit reports will be provided upon request. The fieldwork and testing for these reviews have been performed remotely.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports. The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported.

Date: March 2023

Key Highlights/Summary:

2022/23 Final Internal Audit Reports issued (further detail on page 4)

- Admissions and School Place Planning
- Belmont Infant School
- Business Rates (21/22)
- Chestnuts Schools – Follow-up
- Child Protection
- Council Tax (21/22)
- Delivery of MTFs Savings
- Delivery of the Haringey Climate Change Action Plan
- Earlham Primary School
- Early Years Commissioning
- Health and Safety
- Housing Benefits (21/22)
- IT Procurement Control
- IT Service Management
- Management and Control of Anti-Social Behaviour
- Management of Trees
- Payroll
- Recruitment, Retention and Leavers
- South Haringey School
- St Francis de Sales School
- Tiverton Primary School
- Treasury Management
- Use and Control of CCTV (21/22)

2022/23 Draft Internal Audit Reports issued

- Arrangements for dealing with Domestic Violence
- IT Audit Needs Assessment
- Bounds Green School
- Contract Procedure Rules
- Earlsmead Primary School
- Fostering
- IT Strategy
- Lordship Lane School
- Missing Children Service
- Pembury House Nursery School
- Pensions Administration
- Procurement Cards
- Stocks and Stores

2022/23 Audits at Fieldwork Stage

- Accounts Payable (Creditors)
- Accounts Receivable (Sundry Debtors)
- Application Review - Tech Forge
- Business Continuity Planning
- Contract Monitoring of Matrix
- Council Tax
- Customer Pathway Arrangements (Repairs)
- Delivery of Capital Projects
- Delivery of Special Education Needs Improvement plan
- Devonshire Hill School
- Estates Management

- Fleet Contract and Strategy Management
- Gas Safety
- Highgate Primary School
- Homelessness / Temporary Accommodation
- Lettings and Voids

- Management and Control of Contract Register
- New River Leisure Centre - Follow Up
- NNDR
- Parking System Implementation
- Public Health - 0-19 Commissioned Services

- Purchase of Care Plans
- Strategic Asset Management: Stock Condition Surveys
- The Brook School
- The Willow School

2022/23 Audits at Terms of Reference issued

- Housing Benefit
- Residential Placement

Final Internal Audit Reports issued

The following table sets out the 2022/23 audits finalised and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported.

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
Admissions and School Place Planning	June 2022	August 2022	Substantial	N/A	-	-	1
Council Tax (21/22)	May 2022	August 2022	Adequate	↔	-	2	-
Business Rates (21/22)	May 2022	August 2022	Adequate	↔	-	1	2
Use and Control of CCTV (21/22)	April 2022	August 2022	Limited	N/A	2	2	-
Housing Benefit (21/22)	May 2022	September 2022	Adequate	↔	-	2	1
St Francis de Sele School	June 2022	September 2022	Adequate	↔	-	4	2
South Haringey School	July 2022	October 2022	Limited	←	-	10	8
IT Procurement	June 2022	October 2022	Adequate	N/A	-	3	3
Management of Trees	July 2022	October 2022	Limited	N/A	2	2	1
Belmont Infant School	September 2022	October 2022	Adequate	→	-	2	2
Treasury Management	July 2022	October 2022	Adequate	N/A	-	1	1
Tiverton Primary School	July 2022	November 2022	Limited	←	1	7	4




Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
Delivery of the Haringey Climate Change Action Plan	September 2022	December 2022	Limited	N/A	2	4	-
Management & Control over Child Protection Cases	May 2022	December 2022	Adequate	N/A	-	2	1
Earlham Primary School	July 2022	December 2022	Adequate	↔	-	3	3
Health and Safety	October 2022	January 2023	Adequate	→	-	3	-
Chestnuts Schools – Follow-up	December 2022	January 2023	N/A	N/A	-	-	-
IT Service Management	October 2022	January 2023	Adequate	N/A	1	2	1
Delivery of MTFS Savings	October 2022	January 2023	Limited	N/A	-	3	-
Payroll	July 2022	February 2023	Limited	↔	3	1	2
Early Years Commissioning	September 2022	February 2023	Limited	N/A	2	9	3
Management and Control of Anti-Social Behaviour	October 2022	February 2023	Limited	N/A	-	7	-
Recruitment, Retention and Leavers	August 2022	February 2023	Limited	↔	2	3	5

Definitions of assurance levels, recommendations priorities and direction of travel are included below.

As a reminder, our recommendations are prioritised according to the following categories:

Definitions of Assurance Levels	
Level	Description
Substantial Assurance:	Our audit finds no significant weaknesses and we feel that overall risks are being effectively managed. The issues raised tend to be minor issues or areas for improvement within an adequate control framework.
Adequate Assurance:	There is generally a sound control framework in place, but there are significant issues of compliance or efficiency or some specific gaps in the control framework which need to be addressed. Adequate assurance indicates that despite this, there is no indication that risks are crystallising at present.
Limited Assurance:	Weaknesses in the system and/or application of controls are such that the system objectives are put at risk. Significant improvements are required to the control environment.
Nil Assurance:	There is no framework of key controls in place to manage risks. This substantially increases the likelihood that the service will not achieve its objectives. Where key controls do exist, they are not applied.

Definitions of Recommendations	
Priority	Description
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Direction	
Direction	Description
	Improved since the last audit visit.
	Deteriorated since the last audit visit.
	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Statement of Responsibility

We take responsibility to the London Borough of Haringey 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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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Report for: Corporate Committee – 28 March 2023

Item number: 10

Title: Annual Internal Audit Plan, Strategy and Charter 2023/24

Report authorised by : Director of Finance

Lead Officer: Minesh Jani, Head of Audit and Risk Management

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non-key decision

1. Describe the issue under consideration

- 1.1 The Corporate Committee is responsible for reviewing and approving the annual internal audit plan as part of its Terms of Reference.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That the Corporate Committee reviews and approves the updated Annual Internal Audit Strategy and Plan for 2023/24 (Appendix A) and the Internal Audit Charter (Appendix B).

4. Reasons for decision

- 4.1 Local authorities are required by law to maintain an internal audit function. In addition, The Accounts and Audit Regulations 2015 reinforce the statutory requirement and re-state the need for the Council to maintain an adequate and effective system of internal audit.
- 4.2 The annual internal audit plan is a key element in delivering the Council's statutory requirements. The Corporate Committee is responsible for ensuring that this is in place and approving the Council's Annual Internal Audit Plan.

5. Alternative options considered

- 5.1 Not applicable.

6. Background information

- 6.1 The methodology for developing the Internal Audit Plan focuses upon the quantification of the risks associated with achieving corporate and directorate objectives. At Haringey, the Internal Audit service is delivered by Mazars, who undertake the majority of the internal audit work in accordance with the contract in place, including Information Technology and procurement audits. The Head and Deputy of the team will manage the delivery of the audit plan and complete ad-hoc enquiries themselves.

- 6.2 The in-house corporate anti-fraud team is responsible for investigations into allegations of financial irregularity, pro-active and reactive corporate anti-fraud work, provision of advice on risk and controls and some grant certification work.
- 6.3 Appendix A contains the proposed annual audit plan for 2023/24, which is risk based and has been derived following consideration of: the Delivery Plan and related Priorities; organisational changes; risk registers; corporate programmes and projects; the Annual Audit and Inspection Letter; changes to legislation; and fraud investigation work completed in 2022/23.
- 6.4 Appendix A also includes the audit strategy, and Appendix B the Charter which was used to deliver the Council's internal audit plan. The strategy and charter comply with the statutory 2017 UK Public Sector Internal Audit Standards (PSIAS), which provide a consistent framework for internal audit services across the UK public sector.

7. Contribution to strategic outcomes

- 7.1 Internal audit is an important element of the Council's assurance processes. The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Priority areas. The annual audit plan is a key element in ensuring the Council complies with its statutory responsibilities.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The work which will be completed by Mazars to undertake the annual audit plan in 2023/24 is part of the contract, which was re-let following Cabinet approval in January 2018 in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budgets, which are monitored on a monthly basis.

The presentation of the attached draft annual internal audit plan for approval by this Committee meets the Council's statutory requirement under the 2015 Accounts and Audit Regulations.

8.2 Legal

The Head of Legal & Governance has been consulted in the preparation of this report, and in noting that the audit strategy and the charter follow best practice and industry standards, and that the audit plan takes account of changes to legislation, confirms that there are no direct implications arising out of the report.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil

partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;

- 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.

As contracted providers of Haringey Council, the internal audit contractor is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010. Ensuring that the Council has effective internal audit and assurance arrangements in place will also assist the Council to use its available resources more effectively.

9. Use of Appendices

Appendix A – Annual Internal Audit Plan and Strategy 2023/24; and
Appendix B – Internal Audit Charter.

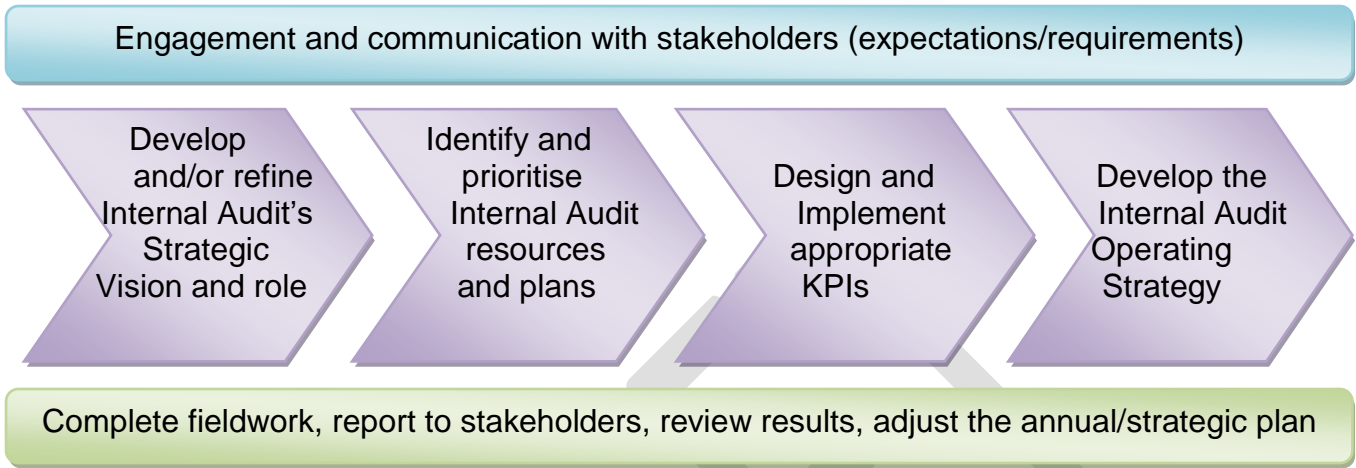
10. Local Government (Access to Information) Act 1985

Not applicable.

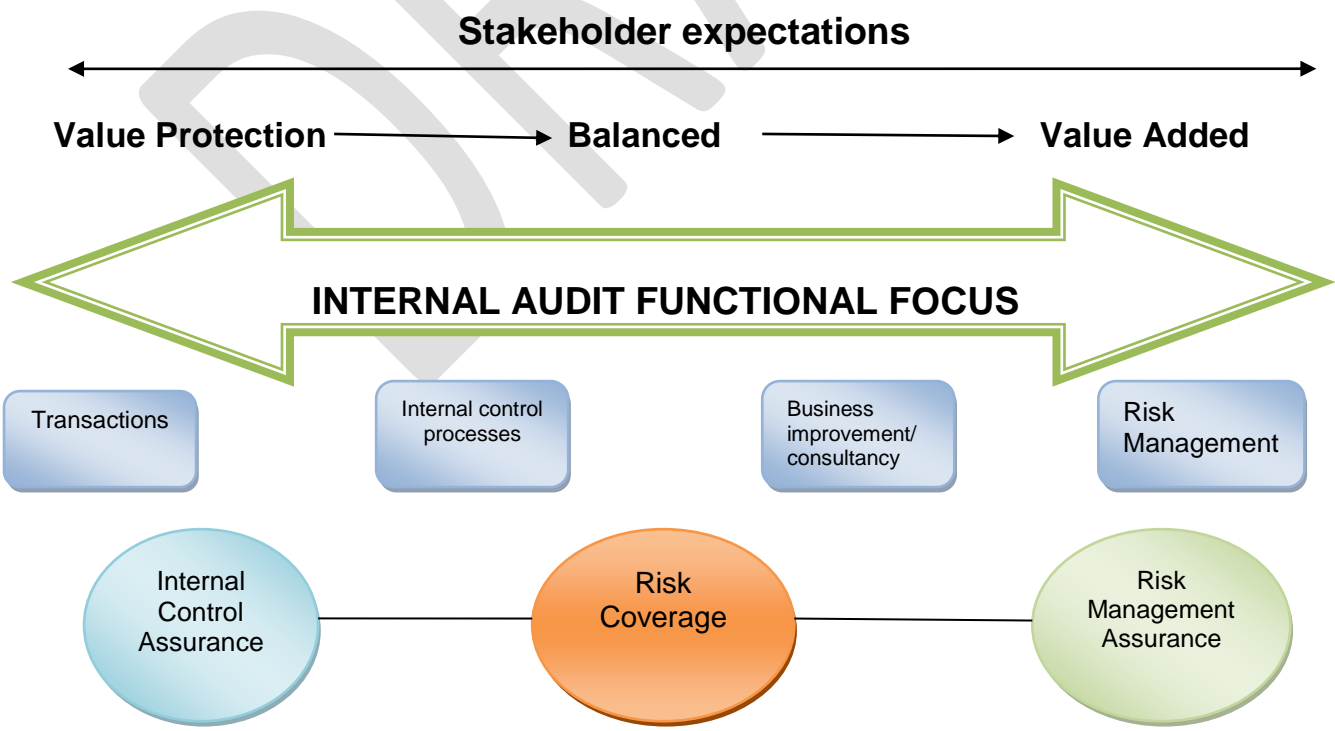
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Internal Audit Strategy – Introduction

Haringey’s internal audit function is driven by an appropriate strategy, rather than as a tactical response to operational issues, to minimise the risks that key strategic issues could be overlooked. Haringey’s framework has been developed to cover both strategic and tactical considerations and ensures that internal audit resources are used to provide the appropriate assurances for the organisation at any one time, as follows:



To create an effective internal audit function, internal audit’s key stakeholders will determine how the audit function delivers the desired value by focusing on e.g. risk management and control assurance; assessment of internal control effectiveness and efficiency; regulatory and corporate compliance assurance; developing awareness of risk and control across the organisation. Internal audit’s resources and plans are then aligned to the Council’s key business risks and operational and financial priorities as follows:



Internal Audit Objectives

Haringey's approach is designed to enable internal audit's remit to evolve and develop as the organisation's needs change over time. As stakeholder needs evolve, internal audit can focus on creating value through assisting with improvements in operational processes. As Haringey's risk appetite changes, internal audit's strategy and functional focus can move from internal control, to risk management, assurance.

The internal audit strategy sets out how the Council's Internal Audit service will be delivered, in accordance with the Internal Audit Charter. Internal Audit will provide independent and objective assurance to the Council, its members, the Chief Executive and Senior Leadership Team and to the Chief Financial Officer to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs. It is the Council's intention to provide a best practice, cost efficient internal audit service which fulfils the requirements of the statutory 2017 UK Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note (LGAN).

Internal Audit's Remit

Internal Audit will:

- Provide management and members with an independent, objective assurance and advisory activity designed to add value and improve the Council's operations;
- Assist the Corporate Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance service. Where appropriate the work of other assurance providers may be taken into consideration and contribute to the Head of Audits annual opinion; and
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice.

Service Delivery 2023/24

The internal audit service will be delivered by using externally procured services under the direction of the Council's Head of Audit and Risk Management, supported by an in-house Corporate Anti-Fraud Team.

The delivery of the internal audit strategy has, for 2023/24 required reappraisal following the in sourcing of Homes for Haringey, the Council's ALMO.

The resources available in 2023/24 to deliver the internal audit and counter-fraud function have been assessed as adequate to fulfil the requirements of the PSIAS and ensure that the key risks of the Council are subject to an appropriate level of independent audit review. There is pressure on the level of assurance needed from the internal audit service and the resources available. The Head of Audit and Risk Management will continue to monitor the current plan and report back to the Committee where assurances cannot be assigned.

Internal Audit Planning

Audit planning will be undertaken on an annual basis and audit coverage will be based on the following:

- The Corporate Delivery Plan and Corporate / Directorate Risk Registers;
- Risk identified at Priority Boards or within Directorate Management Teams;
- Discussions regarding assurance needs with the Council's senior management, statutory officers and Priority Owners;
- Outputs already available from other independent assurance providers.

The annual Internal Audit Plan is composed of the following:

- **Corporate Delivery Plan/Priority and Business Area Risk Based Audits:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they are operating correctly. The selection of work in this category is driven by internal audit's and senior managers' risk assessment and may also include work in areas where the Council services are delivered in partnership with or by other organisations.
- **Key Financial Systems:** Audits of the Council's key financial systems on a continuous basis.
- **Probity Audit (schools/other establishments):** Audit of a single establishment. Compliance with legislation, regulation, policies, procedures or best practice is confirmed.
- **Computer Audit:** The review of ICT infrastructure and associated systems, software and hardware.
- **Contract and Procurement Audit:** Audits of the Council's procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Counter-Fraud and Ad-Hoc Work:** The in-house Corporate Anti-Fraud Team undertakes a programme of pro-active and reactive counter-fraud investigations. A contingency of audit days is also included in the annual audit plan to cover any additional work due to changes or issues arising in-year.
- **Advisory:** Supporting management with advice and guidance regarding new systems and processes and how an efficient and effective control environment to manager risk can be implemented. Our mix of in house and outsourced resources, enables us to provide this added value service without conflicts of interest arising.

Follow-up

Internal Audit will evaluate the Council's progress in implementing audit recommendations against agreed targets for implementation. Progress will be reported to management and to the Corporate Committee on a quarterly basis. Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management.

Reporting

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work and at the follow up stage. The appropriate officers to receive the report at the draft and final reporting stage of the audit will be determined at the planning stage of the work and reviewed at the end of the fieldwork period to ensure completeness. Summaries of findings are reported to the Corporate Committee as part of the quarterly reports and within the Head of Internal Audit's annual report which contributes to the assurances underpinning the statutory Annual Governance Statement of the Council.

Internal Audit Plan 2023/24

The annual internal audit plan has been discussed and is being agreed with the Senior Leadership Team; Priority Owners; and nominated clients. The plan and strategy are submitted to the Corporate Committee for final approval and any significant changes to the annual internal audit plan and/or the internal audit strategy will be reported during the year to the Corporate Committee for formal approval. Any change to the plan will also be reported to the committee on a regular basis.

The table below sets out the internal audit work to be completed by the external contractor. The total number of days to be delivered excludes audit work that will be completed as part of the corporate anti-fraud team’s work.

The work planned aims to provide coverage across the value protection and value added requirements of the Council. The internal audit service has focused its annual plan to align it with the identified key risks within the Corporate Delivery Plan in order to provide assurance across the directorates.

Audit Area	Client		Days
Corporate/Cross Cutting Risk Audits			
Use of Complaints and Ombudsman reports (to Identify Trends)	Director of Culture, Strategy & Engagement		8
Arrangements for Securing Value for Money from Letting Contracts	Director of Finance		15
Management of Staff Performance	Director of Culture, Strategy & Engagement		10
Management of Council Purchase Cards (including how we want to use them)	Chief Executive		12
Post Opening and Management Procedures	Chief Executive		8
Sub-total – Corporate Risk Audits			53
Children’s Services			
Arrangements to satisfy the legal requirement to review EHCPs annually - b’f from 2022/23	Director of Children’s Services		10
Youth Services - b’f from 2022/23	Director of Children’s Services		10
Looked after Children - Placements	Director of Children’s Services		10

Audit Area	Client		Days
Commissioning in Children's Services	Director of Children's Services		15
Haringey Learning Partnership (Commerce House)	Director of Children's Services		8
Sub-total			53
Adults, Health and Communities			
Community Alarms			8
Adult Social Care Commissioning – in Vicky's area	Director of Adults, Health & Communities		12
Operational review of the Locality / Communities' service	Director of Adults, Health & Communities		12
Management and Control of Adult Services Waiting List	Director of Adults, Health & Communities		10
Management of Aids and Adaptations	Director of Adults, Health & Communities		10
Sub-total			52
Culture, Strategy and Engagement			
Workforce Data and Establishment Controls	Director of Culture, Strategy & Engagement		10
Corporate Performance Management and Intelligence Service	Director of Culture, Strategy & Engagement		10
Programme and Project Management Governance Framework	Director of Culture, Strategy & Engagement		10
Delivery of Haringey First (Delivery of Digital Together Programme)	Director of Culture, Strategy & Engagement		10
Corporate Approach for Consultation and Engagement	Director of Culture, Strategy & Engagement		15
Sub-total			55
Environment and Resident Engagement			
Management and Control of Parking Permits 22/23	Director of Environment & Resident Experience		10
Delivery of Leisure Services (holistic	Director of Environment &		15

Audit Area	Client		Days
review)	Resident Experience		
Flood Management	Director of Environment & Resident Experience		10
Management of Penalty Charge Notices (inc LTN)	Director of Environment & Resident Experience		15
Administration of the Landlord Licensing Scheme and Learning Lessons from its use	Director of Environment & Resident Experience		10
Sub-total			60
Placemaking and Housing			
Commercial Property	Director of Placemaking & Housing		10
Follow up Actions from Property Improvement Plan	Director of Placemaking & Housing		8
Implementation of the Corporate Property Model	Director of Placemaking & Housing		12
Net Zero Transitions and Pathways	Director of Placemaking & Housing		10
Allocation and Letting of Property	Director of Placemaking & Housing		15
Housing Rents Income - Current and Former Tenants	Director of Placemaking & Housing		10
Statutory Compliance	Director of Placemaking & Housing		10
Tenancy Management	Director of Placemaking & Housing		10
Payment Processing of Contractors' Invoices (Repairs)	Director of Placemaking & Housing		8
Management of Sheltered Accommodation within Housing	Director of Placemaking & Housing		7
Follow up actions from Housing Improvement Plan	Director of Placemaking & Housing		8
Homeownership Service	Director of Placemaking & Housing		7
Oversight of Regeneration Schemes - Life Time Control and Delivery	Director of Placemaking & Housing		10
Regeneration of Canning Crescent / Osbourne Grove	Director of Placemaking & Housing		10
Governance arrangements over Regeneration of Broadwater Farm	Director of Placemaking & Housing		10
Sub-total			145
Corporate Information Technology Audits			
Ransomware Readiness	Director of Culture, Strategy & Engagement		35
Liquid Logic Pre-implementation Programme Health Check	Director of Culture, Strategy & Engagement		15

Audit Area	Client		Days
New Source to Pay Application Review	Director of Culture, Strategy & Engagement		15
Cloud Strategy	Director of Culture, Strategy & Engagement		10
Follow up of IT Audits	Director of Culture, Strategy & Engagement		10
Corporate IT Audits			85
Contract and Procurement Audit			
Council Operating Model over Procurement Function	Director of Finance		10
Control and Monitoring of Purchasing Cycle (Strategic)	Director of Finance		10
Contract Management - Council contracts	Director of Finance		10
Administration of the Council's London Construction Programme	Director of Finance		10
Controls over the use of the Dynamic Purchasing System	Director of Finance		10
Sub-total			50
Risk Based Audits of Key Financial Systems			
Management of Budgets	Director of Finance		10
Accounting & General Ledger	Director of Finance		8
Accounts Payable (Creditors)	Director of Culture, Strategy & Engagement		10
Accounts Receivable (Sundry Debtors)	Director of Culture, Strategy & Engagement		10
Housing Benefits	Director of Culture, Strategy & Engagement		10
Council Tax	Director of Culture, Strategy & Engagement		10
Payroll	Director of Culture, Strategy & Engagement		10
Sub-total – Key Financial Systems			68
School Audits Risk Based Programme			

London Borough of Haringey - Internal Audit Strategy and Annual Audit Plan

Audit Area	Client		Days
Muswell Hill	Head Teacher		8
St Aidan's Voluntary Controlled Catholic School	Head Teacher		8
Seven Sisters	Head Teacher		8
St Gilda's RC Junior School	Head Teacher		8
St John Vianney Catholic	Head Teacher		8
St Mary's RC Primary	Head Teacher		8
St Michael's CE Highgate	Head Teacher		8
Weston Park	Head Teacher		8
Blanche Nevile Special	Head Teacher		8
The Vale	Head Teacher		8
Gladesmore	Head Teacher		8
Stroud Green	Head Teacher		8
Lea Valley	Head Teacher		8
Management and follow-up of 2022/23 Schools' Audit Recs	Director of Children's Services		8
Sub-total – School Audits			112
Follow up of Audit Recommendations			30
Admin and Management			35
Risk Management			In-house
Homes for Haringey	Director of Placemaking & Housing		20
Haringey Community Based Society	Director of Placemaking & Housing		20
Contingency			0
Total			838

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HARINGEY COUNCIL

AUDIT CHARTER 2023



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Policy History					
Version	Summary of Change	Contact	Implementation Date	Review Date	EqIA Date
1.2	Inclusion of IPPF mission and core principles	Head of Audit & Risk Management	December 2017	January 2019	March 2015
1.3	Update for new designation of the Corporate Board, added paras 6.7 and 6.8 and added formal sign off.	Head of Audit & Risk Management	December 2017	January 2019	March 2015
1.4	Updated para 9.3 for Deputy to also hold IIA / CCAB qualification.	Head of Audit & Risk Management	March 2021	March 2021	March 2015
1.5	Updated document to incorporate best practice.	Head of Audit & Risk Management	March 2022	Feb 2022	March 2015
1.6	Reviewed and no change	Head of Audit & Risk Management	March 2023	Feb 2023	March 2015

Links and Dependencies
Employee Code of Conduct Disciplinary Procedures Council Constitution Whistleblowing Policy Anti-money Laundering Policy Anti-bribery Policy

Related Forms
Declaration of Interests Form



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Declaration of Receipt of Gift or Hospitality

1. Public Sector Internal Audit Standards

- 1.1 The UK Public Sector Internal Audit Standards (PSIAS), which came into effect from 1 April 2013, and were revised in April 2017, provide a consolidated approach across the whole of the public sector providing continuity, sound corporate governance and transparency.
- 1.2 The PSIAS are mandatory and the Head of Audit and Risk Management will report on compliance with the Standards as part of the Annual Internal Audit Report. An independent external quality assessment (EQA) review of Haringey Council's compliance with the Standards will be undertaken at least every five years, as required by the PSIAS, and will be supplemented by an annual self-assessment to ensure the Council's ongoing compliance with them.
- 1.3 The PSIAS require Haringey Council to implement and maintain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility. This Charter will be reviewed on a regular basis and presented to the Corporate Committee for review and approval.

2. Definition of Internal Audit

- 2.1 The PSIAS' mandatory definition of internal auditing has been adopted by Haringey Council and is as follows:

'Internal auditing is an independent, objective assurance and consulting (advisory) activity designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

3. Mission and Core Principles

- 3.1 The mandatory elements of the International Professional Practices Framework (IPPF) for Internal Audit are incorporated into the PSIAS and include an overarching 'Mission' for Internal Audit services '*...to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*'.
- 3.2 The 'Core Principles' that underpin delivery of the IPPF mission require internal audit functions to:
 - Demonstrate integrity;
 - Be objective and free from undue influence (independent);
 - Align with the strategies, objectives and risks of the organisation;



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- Be appropriately positioned and adequately resourced;
- Demonstrate quality and continuous improvement;
- Communicate effectively;
- Provide risk-based assurance;
- Be insightful, proactive, and future-focused; and
- Promote organisational improvement.

4. Authority of Internal Audit

- 4.1 Internal Audit has unrestricted access to all Council records and information, both manual and computerised, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. All the Council's activities, funded from whatever source, fall within the remit of the internal audit service. Internal Audit may enter Council property and has unrestricted access to all locations and officers¹ where necessary, on demand, and without prior notice. This right of access is included in the Council's Constitution (Part Four, Section I, paragraph 5.45).

5. Responsibility and Accountability

- 5.1 With Haringey Council, the Corporate Committee will fulfil the functions of '**The Board**'; and the Corporate Board will fulfil the functions of '**Senior Management**', as defined by PSIAS.
- 5.2 The responsibility for maintaining an adequate and effective system of internal audit within Haringey Council lies with the authority's Chief Finance Officer (S151 Officer).
- 5.3 The Head of Audit and Risk Management is the person designated to fulfil the role of the 'Chief Audit Executive' and is the person required to provide an annual opinion to the Council and to the Chief Finance Officer, via the Corporate Committee, on the adequacy and the effectiveness of the internal control system, governance and the risk management arrangements for the whole Council.
- 5.4 Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the Council as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of internal audit work and to ensure the authenticity of these documents.

¹ Officers includes all temporary and permanent employees of Haringey Council, together with any agency workers, contractors and volunteers working for the Council.



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- 5.5 The remit of Internal Audit covers the entire control environment of the Council. This includes the objective examination of evidence to create independent assessments to the Corporate Committee, the Corporate Board, management and others on the adequacy and effectiveness of governance, risk management and internal control. Internal audit assurance assessments include evaluating whether:
- The Council properly identifies and manages risks on its strategic and other objectives;
 - The actions of the Council's officers and contractors comply with the Council's policies, procedures and applicable laws, regulations and governance standards;
 - The results and output of Council work and programmes are consistent with agreed goals and objectives;
 - The Council undertakes its work and programmes effectively and efficiently;
 - The Council's systems enable compliance with the policies, procedures, laws and regulations that could cause significant impact;
 - All information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity; and
 - The Council obtains assets economically, uses them efficiently, and safeguards them adequately.
- 5.6 Internal Audit also provides an independent and objective consultancy service, which is advisory in nature, and generally performed at the specific request of management. Such consultancy or advisory work is separate from Internal Audit's assurance work but may contribute to the annual opinion that Internal Audit provides on risk management, internal control and governance.
- 5.7 Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in organisations that are wholly or partly owned by the Council.
- 5.8 Internal Audit may also conduct any special reviews requested by the Council, Corporate Committee or the s151 Officer, provided such reviews do not compromise its objectivity, independence or achievement of the approved annual internal audit plan.
- 5.9 Internal Audit will consider all requests from the Council's external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, which external audit would need to discharge their responsibilities.



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5.10 The Head of Audit and Risk considers relying on the work of other internal or external assurance and consulting service providers when forming their annual opinion.



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6. Independence of Internal Audit

- 6.1 The Head of Audit and Risk Management has free and unfettered access to:
- Chair of the Corporate Committee;
 - Chief Executive;
 - Chief Finance Officer;
 - Monitoring Officer; and
 - Any other member of the Corporate Board.
- 6.2 The Head of Audit and Risk Management reports functionally to the Board, and organisationally to the Director of Finance, who is also the Council's S151 officer. The Head of Audit and Risk Management has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.
- 6.3 The independence of the Head of Audit and Risk Management is further safeguarded by ensuring that their annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that the Chief Executive and/or the Chair of the Corporate Committee contribute to, and/or review the appraisal of the Head of Audit and Risk Management.
- 6.4 All Council and relevant contractor staff in Audit and Risk Management are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.
- 6.5 Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken by Internal Audit will be reported to the Corporate Committee. To maintain independence, any Internal Audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months after the consulting assignment has ended. When performing consulting assignments, the internal auditor will maintain objectivity and not take on any management responsibility.
- 6.6 Where it is considered necessary to the proper discharge of the internal audit function, the Head of Audit and Risk Management has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Corporate Committee).
- 6.7 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of



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all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

- 6.8 The Head of Audit and Risk Management will confirm to the board, at least annually, the organisational independence of the internal audit activity.

7. Non-audit Areas

- 7.1 The PSIAS require the Internal Audit Charter to identify any 'Non-audit' areas that fall under the management of the Internal Audit service. For Haringey these are:

- **Counter-Fraud.** Promoting fraud awareness and maintaining effective anti-fraud policies and procedures; acting as a corporate service for the investigation of irregularities and, where criminal investigation is considered, to liaise directly with the police and advise services on such matters. The Fraud Team plays a specific counter-fraud and investigation role jointly with Homes for Haringey in relation to Housing Tenancy Fraud; the investigation of serious whistleblowing concerns raised via the Council's whistleblowing policy also fall within the Team's remit.
- **Insurance and operational risk management.** Providing a full claims handling service for the Council and Homes for Haringey; procuring and management of all externally provided insurance contracts; management of the leasehold property insurance portfolio; providing claims related and financial information to managers; and training and development on insurance and operational risk management for staff.
- **Risk Management.** Providing risk management support to Haringey Council; promoting the consistent use of risk management and ownership of risk at all levels across the Council; managing and reviewing the Council's risk management framework.

- 7.2 In order to fulfil the requirements of the PSIAS and avoid potential conflicts of interest and loss of objectivity, the 'non-audit' functions are independently audited on a regular basis by the externally procured audit service and the Council's external auditors, with the results reported to the Corporate Committee.

8. Reporting

- 8.1 The PSIAS require the Head of Audit and Risk Management to report at the top of the organisation and this is done in the following ways:
- The Internal Audit Strategy and Charter and any amendments to them are reported to the Corporate Board and Corporate Committee for review and approval;



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- The annual Internal Audit Plan is compiled by the Head Audit and Risk Management, taking account of the Council's risk framework and after input from the Statutory Functions Board. It is then presented to the Corporate Committee for formal approval. The Head of Audit and risk Management will review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, programmes, systems and controls, including emerging risks, threats and other issues;
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Audit and Risk Management) and the independence of internal audit is reported annually to the Corporate Committee. The approach to providing resource is set out in the Internal Audit Strategy;
- Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to the Corporate Board and Corporate Committee on a quarterly basis;
- Any significant consulting or advisory activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Corporate Committee;
- Results from internal audit's performance management processes and performance indicators will be reported to the Corporate Committee; and
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the Corporate Committee and will be included in the annual Head of Internal Audit report. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

9. Due Professional Care

9.1 The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards (PSIAS);
- CIPFA Local Government Application Note (LGAN) for internal audit functions operating in the local government sector;
- The respective ethical codes for the professional bodies that Internal Audit staff qualified under;
- All Council Policies and Procedures; and
- All relevant legislation.



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- 9.2 Internal Audit is subject to a quality assurance and improvement programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK PSIAS and the LGAN, ongoing performance monitoring and an external quality assessment at least once every five years by a suitably qualified, independent assessor.
- 9.3 A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Audit and Risk Management and his deputy are required to hold a relevant professional qualification (CCAB or equivalent, or CMIIA) and be suitably experienced.

Internal Audit Activity charter

Approved on 28 March 2023.

Minesh Jani

Head of Audit and Risk Management (Chief Audit Executive)

Chief Executive (Chief Executive Officer)

Chair of Corporate Committee (Audit Committee)

Report for: Corporate Committee – 28 March 2023

Item number: 11

Title: Anti – Fraud & Corruption Progress Report 2022/23 – Quarter 3

Report authorised by: Director of Finance

Lead Officer: Minesh Jani, Head of Audit and Risk Management

Ward(s) affected: N/A

**Report for Key/
Non-Key Decision:** Information

1. Describe the issue under consideration

- 1.1 This report details the work undertaken by the in-house resources in the Audit and Risk team and communicates the work plan for 2022/23.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 The Corporate Committee is recommended to note the activities of the team during quarter three of 2022/23.

4. Reasons for decision

- 4.1 The Corporate Committee is responsible for monitoring the effectiveness of the policies on Anti-Fraud and Corruption and receiving assurance with regard the Council's internal control environment and mechanisms for managing fraud risk. To facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee with regards Anti-Fraud & Corruption.

5. Alternative options considered

- 5.1 Not applicable.

6. Background information

- 6.1 The information in this report has been compiled from information held by Audit & Risk Management.

7. Contribution to strategic outcomes

- 7.1 The Audit & Risk team makes a significant contribution through its pro-active work in ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments - Chief Finance Officer and Head of Legal & Governance (Monitoring Officer)

8.1 Finance and Procurement

There are no direct financial implications arising from this report.

8.2 Legal

The Council's Head of Legal and Governance has been consulted in the preparation of this report, and in noting the progress made with delivering the Audit Plan, and the activities undertaken in relation to risk management and anti-fraud, advises that there are no direct legal implications arising out of the report.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation.
- 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 Audit & Risk team is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010 and this is built into the team's operational procedures. Ensuring that the Council has effective counter-fraud arrangements in place will assist the Council to use its available resources more effectively.

9. Local Government (Access to Information) Act 1985

Not applicable.

10. Performance Management Information

- 10.1** Local performance targets have been agreed for Audit and Risk Management, these are reported against in the sections below.

11. INTRODUCTION

- 11.1 This report covers the period from 3 October 2022 to 31 December 2022 and summarises the work of the Audit & Risk Service in relation to anti-fraud and corruption.
- 11.2 The work of the team is driven by the Council's Anti-Fraud & Corruption Strategy which was approved in September 2022. The Strategy is supported by a fraud risk assessment and operational work plan, which is annually reviewed. The only change to the work plan, in year, is we have moved some resources over to focus on Blue Badge fraud.
- 11.3 The Fraud resources within the Audit & Risk Service consists of a Head and Deputy Head of Audit & Risk, six Fraud Investigators, and the Assistant Investigator post, which is currently vacant.

12. ANTI-FRAUD ACTIVITY

- 12.1 The team undertakes a wide range of anti-fraud activity and has two performance indicators to monitor its work relating to tenancy fraud and the right to buy fraud. These targets have in the past been consistently achieved, although since 2020 and the impact of COVID-19 on delivery generally; a shift in the priorities of the team and subsequently issues in the processes returning to post covid effectiveness, generally due to resource shortages in key teams, the indicators have become more difficult to achieve. The Housing outcomes in particular are affected. The increase in internal fraud cases and our inclusion of blue badge cases has reduced the resources available for housing fraud. The resilience of the team is being discussed with Senior Management.
- 12.2 Financial values are assigned to these outcomes based on the discounts not given and the estimated value of providing temporary accommodation to a family. The Audit Commission, when in existence, valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, as noted above this related to average Temporary Accommodation (TA) costs. This figure has recently been revised to £42,000 by a network of housing and fraud bodies and is supported by the Cabinet Office.

12.3 **Table 2 - Local Performance measures – anti fraud activity**

Performance Indicator	Q3	YTD	Annual Measure
Properties Recovered	14	27	50
Right to Buys prevented	24	79	80

12.4 Tenancy Fraud – Council properties

- 12.5 The Fraud Team works with Housing colleagues to target and investigate housing and tenancy fraud. Housing continues to fund a Tenancy Fraud Officer co-located part time within the Fraud Team. There are plans to do cross team proactive tenancy fraud campaigns and use data matching in coming months. It is hoped that this will ensure our annual targets are achieved and try to shift the Council's work on tenancy fraud to a more proactive and preventive approach.
- 12.6 The Fraud Team works with the newly restructured Housing team to identify the most effective use of fraud prevention and detection resources across teams to enable a joined-up approach to be taken, especially where cases of multiple fraud are identified e.g., both tenancy fraud and right to buy fraud.

12.7 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	212	
New Referrals received	70	
Total		282
Properties Recovered	14	
Case Closed – no fraud	35	
Total		(-) 49
Ongoing Investigations		233

12.8 Right-to-buy (RTB) applications

- 12.9 As at 31 December there were 270 ongoing applications with 85 under investigation as part of the statutory money laundering stage of the process. During quarter three, 24 RTB applications were withdrawn or refused either: following review by the fraud team or due to failing to fully engage with the money laundering stage of the processes. The applicants are served reminders, by legal, regarding timescales and the fraud team work flexibly with applicants and their solicitors to gather the required evidence to satisfy the money laundering regulations. 61 new applications were received in this period for review, 22 ongoing applications remain in process awaiting re-valuation of the property value. 40 applications ceased for reasons other than the fraud team's direct intervention and 22 properties were sold.
- 12.10 There has been a small drop in the number of open applications at all stages of this process. However, the number of new applications remains reasonably constant, despite the mortgage rate increases. The proportions of applications not fulfilling money laundering requirements remain constant currently.

12.11 Gas safety – execution of warrant visits

The fraud team have attended several gas safety visits in quarter three, where risk of fraud is identified. 42 of the teams on-going investigations were generated by this activity.

12.12 Blue Badge Fraud

The team accepted three blue badge referrals in the quarter. Our preliminary assessment indicates we will pursue all three to prosecution. In addition to accepting these referrals we are also working with the parking service to strengthen the council's response to this fraud risk in accordance with our corporate anti-fraud strategy.

12.13 Pro-active counter-fraud projects

In quarter three we have continued to focus on data matching to support our housing tenancy fraud activities and preparations for the National Fraud Initiative. We have also done some intelligence work around supported living providers and the cash incentive scheme to gather some assurances for management.

12.13 No Recourse to Public Funds (NRPF)

In quarter three, 15 referrals have been received and responded to by the Fraud Team. The role of the Fraud Team is to provide a financial status position for the NRPF team to include in their overall Children and Family Assessment. The average cost of NRPF support per family (accommodation and subsistence for a two-child household) is around £20,000 pa.

12.14 Internal employee investigations

In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees.

At the start of quarter three the team had two employee related investigations ongoing. One criminal case and one being conducted under audit responsibilities.

We had two new referrals in the quarter; one with be investigated under audit responsibilities and the second under the disciplinary policy. All four cases were on-going at the end of the quarter.

The Audit and Risk service work closely with officers from HR and the service area involved to ensure that the appropriate investigation, following a referral, is completed as quickly as possible. The cases are prioritised according to risk to the council and severity of the allegations.

12.15 Cyber Fraud

Audit & Risk were advised of a 'phishing' attempt in October 2022 which officers initially responded to. Fortunately, no payment was made in response to the attempted fraud due to officer vigilance. This reiterates the concerns raised in the Cyber report with regards some awareness in the organisation. A further assessment of our vulnerability, via officer action, to cyber attack has been planned by digital services in quarter four to assess the impact of the training and awareness campaigns they are running. Work is currently also on-going corporately to support schools to protect against this risk after a successful ransomware attack in November 2022, which highlighted this is a high risk area for schools in the Borough.

12.16 Workers in Dual Roles

Since Covid-19 and the resulting increase in remote working the risk of workers, particularly interim or agency workers who may be on part time contracts, undertaking dual roles but de-frauding one or both organisations has significantly increased. In December we were alerted to concerns regarding an agency worker who had been working more than full time across two councils. The agency worker's contract was terminated and we will support any investigation that is conducted. We have deployed some audit resource, via Mazars, into the recruitment and Matrix contract area in 2022/23 to help us assess this increased risk, our current preventive controls and detective controls, as well as what evidence the organisation can provide us when referring these cases in future. We will consider as part of our fraud risk assessment for 2023/24 and design proactive work as required. London boroughs have been invited to participate in a National Fraud Initiative where details of all agency workers will be shared and an anomaly investigated. The Head of Audit and Risk Management has agreed to participate in this exercise.

12.17 Whistleblowing Referrals

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. There was one case on-going at the start of the quarter three. There was one new referral received in quarter 3. Both cases were still on-going at the end of quarter 3.

12.18 Prosecutions

Two suspected tenancy fraud investigations were at the prosecution stage in quarter three. One case has been heard and a confiscation order will be sought the legal process is expected to conclude in quarter four.

The trial for our other prosecution took place as planned in November. A press release was issued following the trial.

"A three-year investigation by Haringey Council has seen a housing tenant prosecuted for tenancy fraud and will have to pay £33,894.58 (including costs), arising from a separate civil proceeding in September 2022.

The costs included an unlawful profit order as the tenant had financially benefited from sub-letting the property to an unsuspecting family for a monthly rent of £900 per month.

Miriam Bailor became a tenant at 174 Northumberland Park, London, N17 0SW in October 1998 and initially lived at this address until she vacated in December 2017 in order to sub-let the property.

Though Miriam Bailor had pleaded not guilty at Highbury Corner Magistrates Court, an extensive investigation by Haringey Council's Audit and Anti-Fraud team showed that Miriam Bailor was not occupying her tenancy address and that other persons were living there in her absence.

During the trial at Highbury and Islington Magistrates Court she repeatedly lied about where she was living. The two-day trial found Miriam Bailor guilty of unlawfully subletting her property, contrary to section 1 (1) Prevention of Social Housing Fraud Act 2013 and sanctioned recovery of any profit made by illegally subletting the property."

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Report for: Corporate Committee – 28 March 2023

Item number: 12

Title: Treasury Management Update Report Quarter 3 – 2022/23

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy S151 Officer)

Lead Officer: Tim Mpofu, Head of Finance – Pensions and Treasury
tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) requires the Council to approve reports on the performance of the treasury management function at least twice yearly (mid-year and at year end). This quarterly report provides an additional update.
- 1.2. The Council's Treasury Management Strategy for 2022/23 was approved by Full Council on 1 March 2022.
- 1.3. This report provides an update to the Corporate Committee on the Council's treasury management activities and performance for the first three quarters of the financial year to 31 December 2022 in accordance with the CIPFA Treasury Management Code of Practice.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

The Corporate Committee is requested:

- 3.1. To note the Treasury Management activity undertaken during the first three quarters of the financial year to 31 December 2022 and the performance achieved which is attached as Appendix 1 to this report.
- 3.2. To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

- 6.1. The Council's treasury management activity is underpinned by CIPFA's Treasury Management in Public Services: Code of Practice (the CIPFA Code), which requires local authorities to produce annually, Prudential Indicators and a Treasury Management Strategy Statement. CIPFA has defined Treasury management as: "The management of the local Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 6.2. The CIPFA Code recommends that members are informed of treasury management activities at least twice a year. Formulation of treasury policy, strategy and activity is delegated to the Corporate Committee and this Committee receives update reports quarterly.
- 6.3. However, overall responsibility for treasury management remains with Full Council, and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2022/23 on 1 March 2022. The Corporate Committee is responsible for monitoring treasury management activity, and this is achieved through the receipt of the quarterly, mid-year and annual reports.
- 6.4. Government guidance on local authority treasury management states that local authorities should consider the following factors in the order they are stated:
- Security - Liquidity - Yield
- 6.5. The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds. However, no treasury activity is without risk and the effective identification and management of risk are integral to the Council's treasury management activities.

Economic Background

- 6.6. The economic backdrop during the first three quarters of the financial year was characterised by high energy and commodity prices which resulted in sustained higher levels of inflation. Central banks, including the Bank of England, increased interest rates and committed to fighting inflation, despite the potential for recessions in their respective regions.
- 6.7. As a result, the Bank of England raised the Bank Rate from 0.75% in March 2022 to 3.50% in December 2022. At the time of writing the Bank Rate was currently at 4.0%.
- 6.8. Further details on the implications of this can be found in section 2 and 7 of Appendix 1 to this report.

Borrowing Update

- 6.9. The Council's primary object when borrowing is to balance low interest costs with cost certainty over the period for which funds are required. In keeping with this objective, the Council has undertaken £130m of new borrowing to date. This amount was reduced by £6.9m in repayments on existing loans which were allowed to mature without immediate replacement.
- 6.10. The cost of borrowing has increased significantly for both short-term and long-term debt. The table below shows the increase in the benchmark gilt yields during the period.

Benchmark Gilt Yield	Apr 2022	Jun 2022	Sep 2022	Dec 2022
5 year	1.41%	1.89%	4.70%	3.62%
10 year	1.61%	2.35%	4.51%	3.67%
20 year	1.82%	2.60%	4.86%	4.03%

- 6.11. Further details on the borrowing activity of the Council over the period can be found in section 4 of Appendix 1 to this report.

Treasury Investment Update

- 6.12. In accordance with the CIPFA Code and government guidance, the Council aims to strike an appropriate balance between risk and return, when making treasury investments. The aim is to prioritise the security and liquidity of its investments before seeking the optimum rate of return or yield.
- 6.13. During the period, the overnight deposit rates from both, the Debt Management Account Deposit Facility and Money Market Funds, increased from around 1% in April to 3.2% by the end of December. The table below shows how the Council's current Treasury investments compare with other local authorities.

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Ave. Maturity (Days)	Rate of Return
31.03.2022	4.46	AA-	44%	110	0.06%
31.12.2022	3.52	AA-	38%	34	3.16%
Similar Local Authorities	4.45	AA-	64%	33	2.96%
All Local Authorities	4.41	AA-	60%	14	2.93%

- 6.14. Further details on the Council's treasury investment activity over the period can be found in section 5 of Appendix 1 to this report.

Treasury Management Prudential Indicators

- 6.15. The Council measures and manages its exposures to treasury management risks using several indicators that are set when the Treasury Management Strategy is approved in advance of the new financial year.
- 6.16. The Chief Finance Officer report that all treasury management activities carried out during the year were full compliant with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

- 6.17. A more detailed assessment of the Council's compliance with the agreed upon Treasury Management Indicators can be found in section 6 of Appendix 1 to this report.

7. Contribution to Strategic Outcomes

- 7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 8.1. Finance Comments are included throughout the attached report.

Legal

- 8.2. The Head of Legal Services has been consulted on the content of this report which is consistent with legislation governing the financial affairs of the Council. In particular, the Council must comply with the requirements of the Local Government Act 2003, the Local Authorities (Capital Financing & Accounting – England) Regulations 2003 and the CIPFA Treasury Management code.
- 8.3. In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee.

Equalities

- 8.4. There are no equalities issues arising from this report.

9. Use of Appendices

- 9.1. Appendix 1 – Treasury Management Update Report Quarter 3 2022/23

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable

Appendix 1 - Treasury Management Update Report Q3 2022/23

1. Introduction

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports. This quarterly report provides an additional update.
- 1.2. The Council's treasury management strategy for 2022/23 was approved at a full Council meeting on 1 March 2022. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

2. External Context (provided by the Council's treasury management advisor, Arlingclose)

Economic background

- 2.1. The ongoing conflict in Ukraine continued to keep global inflation elevated and the economic outlook for the UK and the global economies weak. Political uncertainty in the UK improved in the later part of the period following a change in government to what financial markets perceived as being more fiscally prudent.
- 2.2. During the period from April to December, the economic backdrop was characterised by high energy and commodity prices, as well as high inflation. These factors had an impact on consumers' cost of living. Additionally, there is a little likelihood that the hostilities between Russia and Ukraine will end any time soon.
- 2.3. Towards the end of the period, China began to lift some of its zero-Covid policy restrictions which resulted in a sharp increase in infections. It is still unclear how this will impact the cost of living for consumers.
- 2.4. Central bank rhetoric and action remained robust. Over the period, the Bank of England, Federal Reserve, and European Central Bank all increased interest rates and committed to fighting inflation, even in the face of potential recessions in their respective regions.
- 2.5. UK inflation remains high, but there are tentative signs that it may have peaked. The annual headline Consumer Price Index (CPI) registered 10.7% in November, which was a modest decrease from 11.1% in October. The Retail Price Index (RPI) was 14% in November, down from 14.2% in October, but slightly above expectations for a larger fall to 13.9%.
- 2.6. Under the leadership of Rishi Sunak and Jeremy Hunt, the UK government reversed some of the support for household energy bills that had been announced under the previous leadership of Liz Truss. The previous support package would have resulted in an average consumption cost of £2,500 annually, until 2024, but it was replaced by a less generous scheme that will only be maintained at this level until March 2023. After that, it will be replaced by a higher cap of £3,000 per year for the typical household from April onwards.
- 2.7. The labour market remained tight, although there was some evidence of softening demand for new labour. The unemployment rate for the period of April-June was 3.8%, which declined to 3.6% in July-September and picked up again to 3.7% in October-December. The inactivity rate was 21.5% in the latest quarter, down 0.1% compared to the previous period. Pay growth in October-December was 6.1% for both total pay (including bonuses) and regular pay. However, once adjusted for inflation, both measures fell by 2.7%.

- 2.8. Household disposable income remained under pressure, which pushed consumer confidence down to a record low of -49 as in September. However, subsequent months have shown modest improvements, with December's reading improving to -42.
- 2.9. The quarterly GDP for the April-June quarter was revised upwards to 0.2% (from -0.1%) due to revisions in household and government spending. However, in the July-September quarter, the GDP fell by -0.3%, which was a larger decline than the predicted -0.2%.
- 2.10. Over the period, the Bank of England increased the official Bank Rate to 3.5% from 0.75% in March. The Monetary Policy Committee (MPC) raised the rate at every subsequent meeting, with larger hikes of 50bps in August and September, 75bps in November, and another 50bps in December. At the time of writing, the Bank Rate was 4.0%.
- 2.11. The MPC members have differing views on how pace on further rate increases. However, the Committee has noted that domestic inflationary pressures are expected to remain strong, and further rate rises are predicted as the rhetoric around combating inflation continues.
- 2.12. After reaching 9.1% in June, annual inflation in the US has slowed for five consecutive months. There were relatively strong falls in October to 7.7%, and then in November to 7.1%. During this period, the Federal Reserve increased interest rates with four consecutive hikes of 0.75% in June, July, September, and November, respectively. In December, rates were raised by 50 basis points, bringing policy rates to a range of 4.25% to 4.50%.
- 2.13. Eurozone CPI inflation hit a record-high of 10.6% y/y in October following rises in each month over the period. In November inflation fell to 10.1%, the first decline since June 2021. Energy prices remained the largest upward contribution to the price increase. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in December following two consecutive months of 0.75% rises, taking the deposit facility rate to 2% and the main refinancing rate to 2.5%.

Financial markets

- 2.14. Uncertainty remained a major driver of financial market sentiment, and bond yields were relatively volatile due to concerns over elevated inflation and higher interest rates. In September and October, the fiscal plans of the then UK government (under Liz Truss) significantly exacerbated volatility in financial markets, leading to an acceleration in the rate of rise in gilt yields and a decline in the value of sterling. However, the subsequent change in government leadership to Rishi Sunak and Jeremy Hunt led to gilt yields falling in November and December, albeit at higher levels compared to earlier in the period.
- 2.15. During the period, benchmark gilt yields in the UK increased significantly. The table below shows the movement of the major benchmark gilt yields throughout the period.

Benchmark Gilt Yield	April 2022	June 2022	September 2022	December 2022
5 year	1.41%	1.89%	4.70%	3.62%
10 year	1.61%	2.35%	4.51%	3.67%
20 year	1.82%	2.60%	4.86%	4.03%

- 2.16. The Sterling Overnight Index Average Rate (SONIA) averaged 1.75%

Credit review

- 2.17. In October, Fitch revised the outlook on UK sovereign from stable to negative due to the announcement of a largely unfunded fiscal package in September. Around the same time, Moody's also revised the UK sovereign outlook to negative, followed swiftly by a similar move for a number of local authorities and UK banks, including Barclays Bank, National Westminster Bank (and related entities), and Santander.

- 2.18. Earlier in the reporting period, Arlingclose completed a full review of its credit advice on unsecured deposits at UK and non-UK banks. As a result, the maximum duration limit for unsecured deposits at five UK banks, four Canadian banks, and four German banks was extended to six months. For other UK and non-UK banks on Arlingclose's recommended list, the maximum duration for unsecured deposits remains at 100 days. These recommendations were unchanged at the end of the review period.
- 2.19. Despite local authorities being under financial pressure, Arlingclose maintains a positive view of the sector's credit strength, considering it to be high. Only a few authorities with specific issues have issued Section 114 notices. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is warranted with certain authorities.
- 2.20. Arlingclose is continuously monitoring and assessing credit default swap levels for signs of credit stress. However, during the period, no changes were made to the counterparty list or recommended durations. Nevertheless, market volatility is expected to continue in the near term. As always, the institutions and durations on the Council's counterparty list recommended by Arlingclose are under constant review.

3. Local Context

- 3.1. On 31st March 2022, the Council had net borrowing of £700.4m arising from its revenue and capital income and expenditure. The Capital Financing Requirement (CFR) measures the underlying need to borrow for capital purposes. A breakdown of the CFR is summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.03.22 Actual £m
General Fund CFR	598.1
HRA CFR	404.6
Total CFR¹	1,002.7
Less: Other debt liabilities ²	(28.2)
Borrowing CFR - comprised of:	974.5
External borrowing	700.4
Internal borrowing	274.1

¹subject to audit

²finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

- 3.2. The treasury management position on 31 December 2022 and the change over the year is shown in Table 2 on the next page.

Table 2: Treasury Management Summary

	31.03.22		31.12.22	31.12.22
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Type of Borrowing/Investment	Balance £m	Movement £m	Balance £m	Weighted Av. Rate %
Long-term borrowing	600.4	123.1	723.5	3.02%
Short-term borrowing	100.0	(40.0)	60.0	2.88%
Total borrowing	700.4	83.1	783.5	3.01%
Short-term investment	5.0	15.0	20.0	3.12%
Cash and cash equivalents	66.2	(33.0)	33.2	3.18%
Total investments	71.2	(18.0)	53.2	3.16%
Net borrowing	629.2	101.0	730.2	

4. **Borrowing Update**

- 4.1. CIPFA's 2021 Prudential Code clearly states that local authorities should not borrow to invest primarily for financial returns. Furthermore, it is not prudent for local authorities to make any investment or spending decisions that increase the capital financing requirement, and hence lead to new borrowing, unless such actions are directly and primarily related to the Council's functions.
- 4.2. Local authorities are no longer able to use PWLB loans to buy investment assets primarily for yield unless they are for refinancing purposes. The Council does not plan to borrow to invest primarily for commercial return, and therefore these changes do not impact it. As such, the Council retains its ability to continue to fully access the PWLB lending facility.

Borrowing strategy during the period

- 4.3. As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Council's strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio
- 4.4. The cost of borrowing increased significantly for both short-term and long-term debt between April and December. By the end of December, rates had risen by 2-3% compared to the beginning of April. The primary drivers of these rate increases have been inflation and the need for central banks to control it by raising interest rates. In September, there were particularly dramatic rate increases after Liz Truss' "mini-budget" included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies. Over a 24-hour period, some PWLB rates rose to 6%. While rates have since fallen from their September peaks, they remain well above recent historical norms. The PWLB 10-year maturity certainty rate stood at 4.59% at the end of 2022.
- 4.5. As part of its strategy for funding previous and current years' capital programmes, the Council held £783.5 million in loans on 31 December 2022, an increase of £83.1 million compared to 31 March 2022. Table 3 on the following page summarises the outstanding loans as of 31 December 2022.

Table 3: Borrowing Position

	31.03.22		31.12.22	31.12.22	31.12.22
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Type of Borrowing	Balance £m	Net Movement £m	Balance £m	Weighted Ave. Rate %	Weighted Ave. Maturity years
Public Works Loan Board	475.4	123.1	598.5	2.66%	26.1
Banks (LOBO)	125.0	0.0	125.0	4.72%	37.4
Local authorities	100.0	(40.0)	60.0	2.88%	0.6
Total borrowing	700.4	83.1	783.5	3.01%	25.9

- 4.6. In keeping with the Council's Treasury Management Strategy, £130m of new long-term borrowing was undertaken during the period. This amount was reduced by 6.9m in repayments on existing loans which were allowed to mature without immediate replacement.
- 4.7. The Council has a significant capital program that extends into the foreseeable future. A large proportion of this program will be financed by borrowing, which the Council will have to undertake during the current and upcoming years. The Council's treasury advisor, Arlingclose, conducts a weekly analysis of the "cost of carry" to inform the Council when it is financially beneficial to undertake borrowing.
- 4.8. The Council's borrowing decisions are not based on any single outcome for interest rates, and it maintains a balanced portfolio of short and long-term borrowing.

LOBO Loans

- 4.9. The Authority continues to hold £125m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.
- 4.10. The Council currently holds £125m in LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates. Following this, the Council has the option to either accept the new rate or to repay the loan at no additional cost. During the quarter, no banks exercised their option.

5. Treasury Investment Activity

- 5.1. According to the revised CIPFA TM Code, treasury management investments are defined as investments resulting from the Council's cash flows or treasury risk management activities. These investments ultimately represent balances that need to be invested until the cash is required for use in the course of business.
- 5.2. The Council holds significant invested funds, which represent income received in advance of expenditure, as well as balances and reserves. Throughout the year, the Council's investment balances ranged between £71.2m and £38.0 million due to timing differences between income and expenditure. The investment position at 31 December 2022 is shown in Table 4 below.

Table 4: Treasury Investment Position

	31.03.22		31.12.22	31.12.22	31.12.22
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Type of Borrowing/Investment	Balance £m	Net Movement £m	Balance £m	Weighted Ave. Rate %	Weighted Ave. Maturity days
Money Market Funds	0.0	20.0	20.0	3.18%	1.0
Debt Management Office	66.2	(33.0)	33.2	3.14%	53.7
Local authorities	5.0	(5.0)	-	-	0.0
Total borrowing	71.2	(18.0)	53.2	3.16%	33.9

- 5.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, taking into account the security and liquidity of its treasury investments before seeking the optimum rate of return or yield. The Council aims to strike an appropriate balance between risk and return when investing, while minimising the risk of incurring losses from defaults and receiving unsuitably low investment income.
- 5.4. The Bank of England's Bank Rate has increased from 0.75% at the beginning of the period to 3.5% at the end of the period, and there is a possibility of further increases in the future. Short-term cash rates, which had ranged between 0.7% and 1.5% at the end of March, rose by approximately 2.7% for overnight/7-day maturities and 3.0% for 6-12 month maturities.
- 5.5. At the end of December, the Debt Management Account Deposit Facility's (DMADF) deposit rates ranged between 3.3% and 3.6%. The sterling Low Volatility Net Asset Value (LVNAV) Money Market Funds offered a return ranging from 0.9% to 1.1% p.a. in early April, increasing to 3.1% and 3.2% by the end of December.
- 5.6. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Ave. Maturity (Days)	Rate of Return
31.03.2022	4.46	AA-	44%	110	0.06%
31.12.2022	3.52	AA-	38%	34	3.16%
Similar Local Authorities	4.45	AA-	64%	33	2.96%
All Local Authorities	4.41	AA-	60%	14	2.93%

Scoring:

AAA = highest credit quality = 1; D = lowest credit quality = 26

Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Non-Treasury Investments

- 5.7. CIPFA's revised 2021 Treasury Management Code defines investments as all financial assets of the Authority, as well as other non-financial assets held primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) or for commercial purposes (made primarily for financial return).
- 5.8. The Investment Guidance, issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government, broadens the definition of investments to include all assets held partially or wholly for financial return.

Treasury Performance

- 5.9. The Council's treasury investments generated an average rate of return of 1.55% in the first three quarters of the year. Due to the increase in interest rates during 2022, it is likely that the Council's treasury investment income for the year will exceed the budget forecast.
- 5.10. The Council's borrowing costs for 2022/23 are forecast to be £26.2m (£14.9m HRA, £11.3m General Fund), in line with the budget.

6. **Compliance**

- 6.1. The Chief Finance Officer reports that all treasury management activities carried out during the year were fully compliant with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.
- 6.2. Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	31.12.22 Actual £m	2022/23 Operational Boundary £m	2022/23 Authorised Limit £m	Complied?
Borrowing	783.5	1,236.0	1,286.0	Yes
PFI and Finance Leases	23.4	23.4	25.7	Yes
Total debt	806.9	1,259.4	1,311.7	Yes

- 6.3. The operational boundary is a management tool for in-year monitoring. It is not significant if the operational boundary is breached on occasion due to variations in cash flow, and this is not counted as a compliance failure. However, the council's debt remained well below this limit throughout the entire financial year.

Treasury Management Indicators

- 6.4. The Council measures and manages its exposures to treasury management risks using the following indicators.

Security

- 6.5. The Council has adopted a voluntary measure to assess its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. To calculate this score, a value is assigned to each investment based on its credit rating (AAA=1, AA+=2, etc.), and the arithmetic average is taken, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.12.22 Actual	2022/23 Target	Complied?
Portfolio average credit score	3.52 (AA-)	7.0 (A-)	Yes

Liquidity

- 6.6. The Council has adopted a voluntary measure to monitor its exposure to liquidity risk. This is done by tracking the amount of cash available to meet unexpected payments over a rolling three-month period, without borrowing additional funds.

	31.12.22 Actual	2022/23 Target	Complied?
Total cash available within 3 months	43.2	10.0	Yes

Interest Rate Exposures

- 6.7. This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

	31.12.22 Actual	2022/23 Target	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£0.6m	£1m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0.5m	£1m	Yes

- 6.8. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

Maturity Structure of Borrowing

- 6.9. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.12.22 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	12.9%	50%	0%	Yes
12 months and within 24 months	7.4%	40%	0%	Yes
24 months and within 5 years	4.6%	40%	0%	Yes
5 years and within 10 years	7.1%	40%	0%	Yes
10 years and within 20 years	12.9%	40%	0%	Yes
20 years and within 30 years	5.8%	40%	0%	Yes
30 years and with 40 years	19.2%	50%	0%	Yes
40 years and within 50 years	30.0%	50%	0%	Yes
50 years and above	0.0%	40%	0%	Yes

- 6.10. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 6.11. The Council has extensively used short-term borrowing (less than 1 year in duration) from other local authorities as an alternative to longer-term borrowing from PWLB. This was due to lower interest rates at the time, and the corresponding revenue savings.
- 6.12. However, short-term borrowing exposes the Council to refinancing risk. This is the risk that rates will rise quickly over a short period of time, and will be at significantly higher rates when loans mature and new borrowing is required. With this in mind, the Council has set a limit on the total amount of short-term local authority borrowing as a proportion of all borrowing.

	31.12.22	2022/23	Complied?
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	Actual	Target	
Upper limit on short-term borrowing from other local authorities as a percentage of total borrowing	7.7%	30%	Yes

Principal Sums Invested for Periods Longer than a year

- 6.13. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were

	2022/23	2023/24	2024/25
Actual principal invested beyond year end	Nil	30%	Yes
Limit on principal invested beyond year end	£10m	£10m	£10m
Complied?	Yes	Yes	Yes

7. Economic Outlook (provided by the Council's treasury management advisor, Arlingclose on 6 February 2023)

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.00	3.00	3.00	3.00
Downside risk	0.00	-0.25	-0.25	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

- 7.1. Arlingclose expects Bank Rate to rise further during the remainder of 2022/23 and to reach 4.25% by around the first quarter of the financial year 2023/24.
- 7.2. As widely expected, in February 2022, the Monetary Policy Committee of the Bank of England (BoE) raised the Bank Rate by 50 basis points to 4.00%. Arlingclose predicts that the Bank Rate will peak at 4.25%, with further 25 basis point increases in March 2023.
- 7.3. The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until services inflation and wage growth eases. Arlingclose expects rate cuts will start in the first half of 2024. Arlingclose expect rate cuts in the first quarter of 2024 to a low of 3.00% by 2025, although the timing and extent of rate cuts remains highly uncertain.
- 7.4. In addition to this, Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- 7.5. Gilt yields face pressures on both sides. While there are growing fears of a global decline in economic activity and an expectation of falling inflation rates, these downward effects on gilt yields will be partly offset by hawkish-leaning central bankers, Bank of England bond sales and high government borrowing.

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