

# **MINUTES OF THE AUDIT COMMITTEE HELD ON TUESDAY, 8 OCTOBER 2024, 7:00PM – 10:03PM**

**PRESENT:** Councillors Isodois Diakides, Erdal Dogan (Chair), Mary Mason, Alessandra Rossetti and Adam Small

**ALSO ATTENDING:** Reyaaz Jacobs (Independent Member), Reene Deba (Independent Member)

## **1. FILMING AT MEETINGS**

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 Ahmed Mahbub and Councillor Cathy Brennan

## **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:** That the minutes of the meeting held on 18 July 2024 be agreed and signed as a correct record.

A query was raised regarding updates which were due to be provided to the Committee. A resolution on the Procurement Systems Replacement Project Update had stated that the Committee would receive a paper at its next meeting setting the outcome of the review by Digital Services. This was also an action listed on the Action Tracker.

The Action Tracker also stated that a report on risk management strategy which included an update (or a risk management strategy) on leisure services would also be submitting a paper in either the October or December Committee meeting.

The Action Tracker also listed that an update would be provided to the Committee regarding agency staff workers and Pendarren House.

In response, the meeting heard that the agenda for this meeting was full, therefore an update would be provided in the upcoming meetings and that an update on Procurement would be provided at this meeting. The meeting also heard that an update on Pendarren House would be provided in advance of the next meeting and would be circulated to members of the Committee.

The lead listed officer for the changes to Procurement systems would be Ms Taryn Eves, Head of Finance.

## **7. INTERNAL AUDIT PROGRESS REPORT 2024/25 - QUARTER 1**

Mr Minesh Jani, Head of Internal Audit and Risk, introduced the report.

The meeting heard:

- A query was raised in relation to the timeliness of reports. This was important for the Audit Committee to carry out its function as reports submitted late could mean that the data in the report may have dated levels of relevance. The protocol for submitting reports should be followed. In response, the meeting heard that the protocol had been set out and that all audits would follow a timeline. Assurances had also been sought that where timelines had been exceeded, the Committee would be made aware of the reasons why.
- It was possible for the Head of Internal Audit and Risk may be asked to audit a certain area. Taking the Risk Management Strategy into account, officers were responsible for knowing what the issues were, implementing the remedial action and asking Audit to provide assurance for the remedial action. Audit should be used to fulfil an assurance role as well. Part of the job of the Head of Internal Audit and Risk was to provide independent assurance on systems and control, but there were some areas where invitations had been accepted to do a new audit, because the level of assurance was so low that it required improvements and sometimes it was better for Audit to identify control gaps in addition to management gaps at the same time so they could be fixed together.
- The role of the Head of Internal Audit and Risk was quite wide and within the standards for public sector internal audit. This entailed how to support the organisation to achieve the best it could and sometimes when things were found, it could be disconcerting if certain basic required elements were not present. There were some areas where the level of internal control was not at the level it should be. A number of reports had been brought to the Committee but many issues appeared to be around three or four areas; record keeping, supervisory controls, policies and procedures directing staff and the robustness of new systems. Efforts were being made around the audit process and the sense of the implementation of the recommendations. It was unlikely that all recommendations would be implemented, but if a lot of the recommendations could be implemented in a timely way, then the Council would have a much better chance of establishing better internal controls.
- The importance of completing audit work tied in with recommendations being implemented on time.
- Monitoring of the implementation of the recommendations was important. Overseeing the implementation of recommendations was also important and there were a few ways this was being done. Detailed final reports were being shared with the Head of Finance

and the Chief Executive. There was also a Statutory Officers Group which discussed independent audit. A team data tracker was being developed. Monitoring and management of recommendations needed to be in place, but was separate to accountability and responsibility. Good progress was being made regarding tracking the implementation of recommendations and this was something that would be of interest to the Committee.

- There was an overall option that all services relied on which set out the principles of how procurement should be carried out in the Council. Concerns had been expressed in the past as to how effective this was. There had been proposals to have changes implemented so there was more oversight over some of the activity so more assurance could be provided to the service and to the Committee.
- Sometimes, as auditors began their work, if they come up with concerns such as health and safety matters, then they would identify and report those immediately. The subsequent report would need to be issued when findings were agreed. There was a process from identifying the issues, having a formal meeting (where the issue would be raised again) to the report being drafted for management comments. A final report would then be issued.

RESEOLVED:

To recommended to note the audit coverage and follow up work completed

## **8. UPDATE FROM DIRECTOR OF CHILDREN'S SERVICES ON RESIDENTIAL PLACEMENTS AND CHILDREN IN NEED (VERBAL UPDATE)**

Ms Ann Graham, Director of Children's Services, provided a verbal update to the Committee.

The meeting heard:

- Looked After children were carefully tracked. A robust system was in place whereby when a child became looked after, they would be placed on a new system called. Liquid Logic (replacing Mosaic). There was not a child in care that was not on that system.
- There were numerous processes and systems in place, including seeing the children regularly. There was direct communication with the children and although some of the tracking had not been recorded vigorously, this did not mean that relevant action had not taken place.
- Audit was taken seriously and attempts had always been made to take actions on any recommendations.
- In relation to permanency planning for children, these were not just driven by permanency planning processes, there were other processes where permanency was driven, such as Children Looked After review processes. Efforts were being made to bring permanency planning to a better level.
- There had been staffing issues within the permanency planning area and this had blocked some of the frequency and the timeliness around to children being returned back to a panel within three months.

- Children under the age of five got reviewed every four weeks. Checks were made to make sure there were no delays around adoption. Children over the age of five - to six upwards – had a process in place that was in need of a review. Therefore, a tracker was in place regarding children that were due for reviewing. Any non-compliance around children not being brought back at the right times would be escalated to managers within the service. A permanency planning tracking model was being sought to ensure that social workers were given sufficient notice to ensure when to bring children back to review. Several sit-in sessions had been prepared to ensure that the message was clear to staff regarding their responsibilities.
- A range of auditing was done in the service. However, social workers could not spend all their time making sure that the system constantly had the right information recorded on it. It was also important that they spent their time asking the children about their safety, the quality of their education, their goals and aspirations and how are they were getting on with the people around them. A lot of the training was driven to the qualitative aspects of a child's life. Those doing the audits examined these various criteria as did OFSTED. However, OFSTED were unlikely to go into the detail of policies. Everyone in the service would be asked to focus on the best outcomes for the children and the young people.
- Audit was a valuable tool to give assurance where things were not looking at their optimum level. It would be possible to send auditors to the areas which operated at optimum level and this was not the point of audit. An action plan could then be implemented and show Improvement so that the next time an audit was made improvements could be observed.
- When the audit report was received, it was responded to and actions were completed. This was not the end of the process. A new assistant director had been appointed and although a time scale was not yet set, the service would be audited again. The service would be happy to report back to the Committee in four to six months' time.
- Having a nil-assurance report was less than optimum, but inspection and audit was useful as an improvement tool.
- The service would continue to make improvements with Liquid Logic. Aside with Liquid Logic was PowerBI. This was a system through which data was gathered. Work was being done to make it more efficient so that reports could be obtained on regular basis so a focus could be kept on what had been done and any points of improvement.

The Chair felt that too much time had been taken for the service to action any recommendations. A close relationship and communication with the Head of Internal Audit and Risk, was necessary and a report on progress should be submitted within six months.

RESOLVED:

That the update be noted.

## **9. UPDATE FROM THE DIRECTOR OF FINANCE ON USE OF PURCHASE CARDS (VERBAL UPDATE)**

Ms Taryn Eves, Head of Finance, provided a verbal update to the Committee.

The meeting heard:

- The use of a purchase order and an invoice had to be the default mechanism and it was important to challenge the exceptions where purchase cards were used. It was also difficult to claim back any VAT. The number of holders and the amount being spent seemed high for Haringey.
- The improvement action plan was about getting the Council to a better position. It was important to have the right people with purchase cards for the right reasons and that they understood their responsibilities. There was a compliance check that was done each month. The improvement action plan needed to be part of the monthly budget monitoring process. This was where the compliance checks would happen.
- The maximum annual expenditure of £66 million should have been reduced but an update on this would be provided outside of the meeting.
- The number of active purchase cards would be made clear after the data cleansing exercise. It was important to check that certain staff had not left the organisation and, if so, purchase cards would be cancelled. One of the exercises involved checking of purchase cards that had not been used in the last couple of months.

RESOLVED:

That the update be noted.

## **10. VERBAL UPDATE FROM EXTERNAL AUDIT (BDO) ON THE VALUE FOR MONEY AUDIT (VERBAL UPDATE)**

Rachel Britton, BDO, provided a verbal update to the Committee and stated that there had been issues with backlogs amongst a number of councils across the country. Some proposals had been made to regulations and the code of audit practice. This would enable auditors to issue disclaimer opinions on outstanding accounts by 13 December 2024. The outline plan had been discussed with the finance team and disclaimer opinions would be issued on the 2020/21, 2021/22 and the 2022/2023 financial statements. It would set out that audits could not be done in full because of the imposition of the back stop date. There was still a requirement to complete the value for money work on the open years of account. There had been some changes in this to try and help with the backlog and there had been a reduction in scope. For the outstanding years, a focus would be placed on financial sustainability and governance in conjunction with value for money. The work was looking at those two areas across three audits. The regulations also allowed to combine the reporting so one report would be produced that covered all three years for value for money. This was to also recognise that if there were issues, they would likely have come to light.

The work on the value for money had progressed. The report would likely be completed by the end of October 2024. Nothing had been yet identified that needed attention. Any conclusions would be shared with the newly appointed external auditor.

The meeting heard:

- Ms Britton had only recently taken up her position and there appeared to be a good working relationship with the Council. In terms of working papers, the Council was very responsive to any requests. Regular meetings were held to stay on track. In terms of value for money, BDO did not assess whether the Council provided value for money. The external audit looked for arrangements in place to secure value for money. This

meant looking at things in terms of making sure the budget procedures had taken into consideration the assumptions and the variables and that the process was strong enough and was well designed to enable the Council to get the best value for money.

RESOLVED:

That the update be noted.

## **11. TREASURY MANAGEMENT REPORT Q1-2024/25**

Mr Tim Mpofu, Head of Finance (Pensions & Treasury), introduced the report.

The meeting heard:

- A 'bail-in exposure' was a circumstance where an organisation like a bank went into bankruptcy before the government stepped in to assist it. This happened during the 2008 financial crisis when a lot of the banks failed and the government ended up buying one of the banks. The Council did not tend to invest with banks.
- A query was raised regarding issues around the volatility of the market. The impact in Haringey was considered to be more severe particularly on layers of people who were unemployed because the number was higher than elsewhere and with people who may potentially lose their homes putting pressure on the Council in terms of housing. In response, the meeting heard that from a treasury perspective, there were two main areas that were considered. Firstly, cash flow patterns were observed - part of any overspend would be part of the cash generation. Secondly, observations would be made on the capital program delivered throughout the year and these informed the level of borrowing that was needed.
- Consideration would be given to decisions from management. Wider finance and any wider cost to the Council would also be considered. This would include any increase in demand such as more people requiring social care and seeking support with housing. This would come through in the monitoring that was done and reported on a quarterly basis. Anything coming to light in terms of increasing demand would be fed into conversations regarding cash flow. Any potential changes would not be so significant as to have an implication on treasury management decisions. The Council was predicting and forecasting accurately. It would be surprising for something that needed immediate action to come through.
- A query was raised in relation to capital projects and if it meant that there would be less revenue coming in possibly causing delays and having an impact on the borrowing. In response, the meeting heard that any delays would reduce the amount needed to be borrowed. The Council's borrowing had been captured on the bottom of page 43 of the agenda papers as part of the capital financing requirement (CFR). Part of the CFR borrowing was internal borrowing which had not yet been exercised. This was something that was used tactically and not currently operational. However, it was something that could be taken advantage of if required. If elements of the capital programme program slowed down, then the requirement to do so would become smaller. It was not directly linked to the revenue because revenue often depended on specific schemes. Some schemes were not schemes that produced revenue.

- Treasury Management was mostly about the Council's investment and borrowing. It was possible to argue that a reduction in the budget provision required more cash available to invest, but it did not directly impact on the decisions and investments that the team made. The budget provision was reported every year and movement was being made to report on it every six months. It would not be explicitly seen in the treasury management reports, but there would be other finance reports where more off- balance sheet items could be found.
- In relation to a query regarding the £50 million balance, the meeting heard that this was an assumption of where, at the beginning of the year, the Council figured its cash balance to be. For example, last year, the Council averaged around £70 million over the course of the year as the Council had received a lot of grants. This year, the Council had not had the same fortune of receiving as many grants. The Council, at the beginning of the year, had about £83 million, but it was becoming apparent that the balance was closer to £30 million. Over the course of the year, the average was expected to be to probably be slightly below the £50 million balance. However, the rates that the Council was still able to invest remained higher. The Council was still expecting to be on budget. There may be room for the Council to underspend on the interest, but this depended on how the rest of the year would progress.

**RESOLVED:**

1. To note the treasury management activity undertaken during the financial year to 30 June 2024 and the performance achieved which is attached as Appendix 1 to the report.
2. To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

## **12. CORPORATE RISK MANAGEMENT POLICY AND CORPORATE RISK REGISTER**

Mr Minesh Jani, Head of Internal Audit and Risk, introduced the report.

The meeting heard that:

- The 'current' score on the register was taking note of what was in place to manage the risk. The future score was what it would look like if the same thing was continued onwards.
- The Council should be reviewing the risk register every month. This should include directorate risk registers. There would be a future internal audit review coming that linked into financial sustainability. The outcomes of the internal audit review would be examined along with the recommendation and risks on the corporate to ensure that the findings of the audit had been taken into account.
- In reference to 'breach of data' regarding cybersecurity, this referred to any data that the Council held for its own purposes. The type of data tended to include personal data, but if financial data was ever at risk, that could be significant.
- There was a legitimate question to be asked on if the Council was confident its actions would act as a mitigating factor to lower the risk. This would have to be answered by the various services and a report on this would be submitted at a future meeting.

- Steps were being taken to ask staff to comment on the risk register to ensure that as much as possible had been captured. It could never be possible to capture everything, but as much as possible was ideal.
- It would be possible to bring the corporate risk register at future committee meetings.
- As a Council, trying to get assurance around the risk management process provided the opportunity to ask questions about any specific risks on the corporate risk register and it would be possible to look at those risks individually and spend time on specific risks rather than the totality of the risks. There were also directorate risk registers which helped inform corporate risks. Anything at the directorate level whereby the risk needed to be raised more corporately, certain directorates could be asked to manage certain risks. This allowed for queries to be made and to get a broader understanding of the organisation.

**RESOLVED:**

1. To approve the Council's Corporate Risk Management Policy and Strategy.
2. To note the Corporate Risk Register as at 31 August 2024.

At this point in the proceedings, the Committee agreed to suspend standing orders so that the meeting could finish after 10:00pm.

**13. ANTI - FRAUD & CORRUPTION PROGRESS REPORT 2024/25 - QUARTER 1**

RESOLVED: To note the activities of the team during quarter one of 2024/25.

**14. ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY AND STRATEGY**

Mr Minesh Jani, Head of Internal Audit and Risk, introduced the report.

The meeting heard:

- In relation to a newly proposed law to introduce a duty of candour for public servants, the Council was mindful of legislative developments. After the King's speech, a legislative program was outlined. Such developments were often monitored in Legal services and there was a range of expertise within the team. The directorates themselves received direct updates from the government through various channels. There would be letters from chief officers sharing updates about associated legislative developments.
- Ordinarily, legislative changes were communicated through professional lines including anti-fraud organisations and the Council would work to capture the policies.

**RESOLVED:**

1. To endorse the Corporate Anti-fraud, Bribery and Corruption Strategy together with the Whistle-blowing Policy and Sanctions Policy.



2. To note that a further policy would be presented for approval at the next meeting.

## **15. PROCUREMENT (VERBAL UPDATE)**

Ms Taryn Eves, Director of Finance, provided a verbal update.

The meeting heard:

- It was thought that the review that was underway would have already been completed.
- The system would support the Council to be compliant with the Procurement Act. It would help with the reporting, procurement and tender processes. It was important to have good compliance with good forward planning. It was also important to take time so that the right system was put in place. It would be useful to outline the lessons learnt. This would be done after a full account was taken.
- The review that was planned was supposed to be short. It was only after the second week of the review was when further questions were asked and it became apparent that more detail was required. The review was still underway and needed to be prioritised.
- The current budget arrangements were over a five-year period. There was a budget implementation and there was a budget for ongoing maintenance. It would be difficult to say that delays in a project did not have any budgetary implications. The Council was still within the overall budget over the five years, but it was difficult to do an accurate forecast until a timeline for delivery and implementation had been outlined.
- The savings that the system implementation was intending to achieve would be included in the upcoming report.
- A new governance process and a Procurement Board would be established whereby any contracts would be carefully examined.
- At the last meeting, the Committee was given a level of assurance that progress would be made, but it needed to be noted that the confidence given at the last meeting was not correct. There was much less confidence in the system than the Committee was led to believe.
- A system was in place which met requirements. The challenge was the new requirements and all the transparency and the notices that needed to be published as per the Procurement Act. The current system, as it stood, would have to make further changes to make it compliant. However, it was fit for purpose at present. The extension of the Act meant that the Council could continue with the current system. Discussions were already underway to put mitigations in place if alternative arrangements needed to be made.
- Progress had been made with the contracts register. A dedicated system was not required to have a complete contracts register. It was important to have an up-to-date contracts register that was capturing every contract. The system in relation managing putting a project out to tender was different and a update of that system would be needed eventually.

RESOLVED:

That the update be noted.

**16. NEW ITEMS OF URGENT BUSINESS**

There were no new items of urgent business

**17. DATES OF FUTURE MEETINGS**

The next meeting would be held on 3 December 2024.

CHAIR: Councillor Erdal Dogan

Signed by Chair .....

Date .....