

# **MINUTES OF THE AUDIT COMMITTEE HELD ON TUESDAY, 3 DECEMBER 2024, 7:00PM – 9:33PM**

**PRESENT:** Councillors Erdal Dogan (Chair) Isidoros Diakides, Ahmed Mahbub, Cathy Brennan (Vice-Chair), Mary Mason, Alessandra Rossetti and Adam Small

**ALSO ATTENDING:** Reyaaz Jacobs (Independent Member), Reese 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**

No apologies had been received.

## **3. URGENT BUSINESS**

There was no urgent business.

## **4. DECLARATIONS OF INTEREST**

Independent Member, Mr Reyaaz Jacobs stated that he had worked with the Senior Manager who had worked on the BDO assignment as part of his previous role at Deloitte.

## **5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS**

There were none.

## **6. MINUTES**

**RESOLVED:** That the minutes of the meeting held on 7 March 2024 be agreed and signed as a correct record.

As part of the Action Tracker, Mr Jonathan Kirby, Director of Placemaking & Housing, Ms Sarah Lavery, Head of Property Change and Mr Andrew Meek, Assistant Director for Capital Projects & Property, presented a verbal update on the commercial properties audit. Mr Kirby and Mr Meek stated that a full report would be submitted at a future Audit Committee. A previous audit that had been carried out had received a nil assurance. Since the previous audit, a limited assurance had been attained. This showed progress in a positive direction of systems and processes being put in place. There was an aim to progress to 'full Assurance'. An upcoming report would demonstrate that across the large number of action areas, good progress was being made, but more needed to be done. A lot of work was being done with debt, arrears and engaging with tenants in order to deal with expired or held-over leases and

renew them. The progress was quite significant in that area. There was also some good progress in some of the safety aspects. There were four recommendations including a general health and safety recommendation, fire safety and other safety aspects. This would be addressed through the process of renewing leases. One of the difficult areas was around managing the data. There was a recommendation about the management of data which was at the heart of managing property. The acquisition of a new property management system was key to be able to manage the data better. Not as much progress had been made in relation to this. Taking stock of the Council's overall financial situation and ensuring that a robust business case was in place to support the acquisition of a new system had taken priority. This had an affect across other areas.

In response to questions, Mr Kirby and Mr Meek stated that:

- The data was held in different systems and was not always consistent. Some of it was of lower quality. Sometimes, certain data was not present such as the detail of conditions contained within a lease. This could be in a paper document and a new system could assist in marshalling the data.
- The property review split into three distinct areas. One was data cleansing and data gathering, one was the procurement of a property management system in which to store that data and the third was around delivering improved policies and strategies for the property assets. It was important to prove the business case that cleansing and collecting data in a sensible way would help. In the intervening period, the Council was prioritising events that happened through the property cycle. Where contingent liabilities had arisen or there were other major reviews, this would be dealt with and the data would be stored in an appropriate way so that when the case for a new system was made (and to review the property data), the exercise would have already been done for a specific property.
- The progress was not a something that would be done quickly and some of the dates highlighted for when things would be completed were in 2026. Currently good results were being obtained from the progress made so far.

As part of the Action Tracker, Ms Beverley Tarka, Director of Adults, Health & Communities, Ms Jo Baty, Service Director, Adult Social Services, presented a verbal update on the Aids and Adaptation audit. They stated that the relevant audit areas were policies and procedures for the service, quality and effectiveness, funding allocation and procurement of contractors. There was one fundamental recommendation to do with procurement of contractors. Other recommendations were also made. The fundamental recommendation was about the absence of documented process to award contracts. In relation to this, a deadline had been given of June 2025, but quite significant progress had been made. The Council was developing a call off within the dynamic purchasing system. This was a system that enabled the management of interest from various different providers in various different areas procured. A competitive process was created to determine what suppliers could provide best value for money. The specification was already in draft form and was nearing completion and the pricing schedules had been developed. Once the procurement call-off process was complete, it would limit the number of providers used for adaptations. This would enable the Council to maintain quality in a stronger way. The Council expected to go out to the market in January 2025 and implement the call-off by the end of March 2025. In relation to the other recommendations which were consistent completion of occupational therapy (OT) assessments, which were not always fully evidenced, since the audit, the Council had implemented a new case management system and streamlined processes so that no referral could be made to the Adaptations team without

the sign off of an OT assessment. Invoice approvals and reconciliation was not consistently retained or documented. Now, invoices could not be approved without the sign off of the Adaptations team manager. A spreadsheet was monitored and maintained for this. On policy and procedures, it was found that there was an absence of an up-to date and detailed policy and procedure within the service. The Adaptations manager was in the process of updating the policy against the national and local legislation policy and guidance. The deadline for all of the above was February 2025, so a steady progress was being made. There was a lack of awareness of the process to prioritise cases and to escalate Adaptation cases. Therefore, the service implemented a monitoring of waiting lists and the length of time that the occupational therapist and the surveys were held, so it was possible to track more efficiently. A program board had been put in place to have some oversight. The waiting list had reduced to 60. Previously it was over 220 cases. Progress of staff was being monitored so that staff dealing with more complex cases could get more support. Reflective practices were also carried out to increase staff confidence. In relation to incomplete processes ensuring funding of Aids and Adaptations covered maintenance. This area applied only to specialist equipment. Warranties for specialist equipment were in place for five years. If the resident lived in a Council property, in the case of privately owned rented or housing association tenants, at the end of the five-year period, if the resident wished to renew or update a warranty, then they were responsible themselves for the extension. This was considered the difference between Council tenants and private tenants. The service had also been asked to look more at monitoring of costs. Since the completion of the audit, the manager had put in place a process to monitor and track costs. This was reported into the program board. A panel was used to approve works over £30,000 to give assurance of an oversight of the more costly packages.

In response to questions, Ms Tarka, Ms Baty and Ms Taryn Eves, Director of Finance, stated that:

- In relation to the Program Board, the Council might involve community representatives to strengthen perspective on areas of progress. In relation to the Board's assurance and oversight, it would be useful to think about how some of the queries from councillors were addressed. Many of them often were in relation to residents dealing with multiple complexity. Their issues were not just around Aids and Adaptation. More use of the Program Board could be made and improvements could be made to reduce emails which took up a lot of time. External checks from community groups would also be useful.
- The relevant Cabinet Member (the Cabinet Member for Health, Social Care, and Wellbeing) was regularly briefed on the progress being made.
- In terms of reconciliation of payments, there was a tiered authorisation process within the service. The sign off of the Adaptations team manager was required and that was only given after the surveyor had inspected the works that had been carried out. Assurance, in terms of invoice sign off, rested with the service. As to Audit's role, the process was mainly done within the service, but was usually capital spend so Finance would see the monitoring. Finance worked closely with all services including Adult Social Care. When looking at the monthly monitoring, the spend coming through the finance system would be monitored. In terms of the decision making and the director reconciliation, this was all maintained within the service.
- If there were any concerns with any service, then it would be raised directly with the service to gain any assurance needed. However, lots of decisions were taken within a service and those decisions were taken in line with the policies and process. Any concerns raised would be followed-up directly.

Mr Minesh Jani, Head of Audit & Risk Management, stated that the Council had a follow up arrangements where internal audit, independent of the service, would provide an assurance level. There were two levels of assurance; assurances from the service directly and assurance from internal audit.

## **7. VALUE FOR MONEY ASSESSMENT TO 31 MAR 2023 (BDO)**

The Committee noted the late submission of the report, leaving very little time for the Committee to consider the documentation.

Ms Rachel Britton, BDO, introduced the report.

The meeting heard:

- The disclaimer opinion that BDO would give would state that there was no assurance over the balances within the stated years. The new auditor, KPMG, would undertake an audit for the 2023/24 financial year. As part of that audit, they would do their normal audit and they would be able to get assurance over the closing balances for the 2024 financial year. There was likely to be some form of modification of their opinion. There was guidance in place for this. The Government had set out some recovery guidance on building back to full assurance. The way the accounts worked, the open balances would still have questions and there would probably be some form of qualification modification over the opening balances. The following year, the Council would be able to build further, as the closing balances would become the opening balances and it should take around two years to get back to a clean opinion position.
- In relation to the three objections received, there was one in relation to the purchase of a site in Woodside ward. The Council had undertaken a full investigation into that. The other two related to parking charge notices (PCNs).
- In relation to assurances, this was a question that could be examined in the January meeting of the Committee when KPMG present their findings and provide an idea about the assurance on the closing balances. It became apparent approximately nine months ago that lots of local authorities were going to be in difficult position over this and therefore it would take that number of years for the Council to get full assurance. A disclaimed set of accounts was slightly different to a qualified set of accounts. A disclaimed set was when work had not been undertaken. A qualified set was where, usually, the detailed work had been undertaken.
- This was the first full audit that the Council had been through for three years. At this point, there was nothing specific that needed to be disclosed to the Committee.
- Within the guidance that was issued, there were two exemptions; if there was material objection to the financial statements or indication of non-compliance with laws and regulations. In this case, the Council would have to publish a notification on their website to say why the process was not completed by 13 December 2024 and then the process would have to be completed as quickly as possible. This was to have more time fully investigate and resolve the potential material issue before an opinion on the financial statements could be issued.

- Efforts would be made to resolve any objections by 13 December 2024. The Council ideally did not wish to publish the notice on the website. The Council had provided everything required and this was subject to some internal checks at BDO.
- If there was anything of a significant change between the reports submitted for this meeting and the final set, then officers would notify those changes to the Committee via email.
- In terms of the audit fees, these were agreed by an organisation called PSSA. Once the process was completed, a discussion could be held with the PSSA regarding fees and the work that had been undertaken over the last three years.
- Before the letter was signed on 13 December 2024, an email would be sent to members of the Committee even if it was just to say there were no changes.
- Within the 2021 Council report, some recommendations had been in relation to IT general controls. They did not currently have management responses. KPMG would have their own processes in relation to how they undertook their audit, but they may not follow them up in the same way. The Council had acted on some of the recommendations, so the report from KPMG may reflect this in their own recommendations.
- In relation to the IT recommendations, BDO had its IT specialist team come in and do the work around logical access control, change management and all the things that happened behind the systems. Issues such as passwords may seem trivial, but actually formed the things that enabled the 'back end' of the systems to be secure. KPMG may take a slightly different approach. In terms of valuation of assets, this was an area of contention in local government and was also something that CIPFA were looking into. The way accounting standards worked, there was a lot of estimate and judgment in valuation of property. Councils had lots of these types of assets and, for auditors, there were always risks around valuation. A small difference in an assumption could be a material amount. Until CIPFA came through with a proposed change in the way that accounting standards were applied, the valuation of property equipment would always come through as a risk.
- There was a difference between operational valuation and valuations that were done for financial statements purposes. BDO's risk was purely around applying those valuation standards which were very complex and needed specialist involvement from qualified valuers. Every local authority would have valuation of assets as a risk because of the level of judgment required.

RESOLVED:

To note the report.

## **8. UPDATE ON RECENT HOUSING AUDITS WITH LIMITED ASSURANCE**

Mr Jahedur Rahman, Operational Director, Housing & Building Safety, introduced the report.

The meeting heard:

- For the last three years, on average, the Council received around 250 right to buy applications per year. The listed 700 applications were probably about three four years' worth of right buy applications received in a space of about three weeks. The pattern was not specific to Haringey. Some directors had received applications worth 10 years or more. Most people were trying to get their application qualified for the previous discount and the Council had taken a strict approach to this. All applications received up until 21 November 2024 would be considered. If there had been an error on the way the form had been completed, the tenant would be given another five days to correct the error. If the five-day deadline was missed, then the application would not be considered for the discount.
- Statutorily, the Council was required to issue Section 125s within 12 weeks from the point the Council had accepted the right to buy application. Ordinarily the Council would need to issue the Section 125 within 12 weeks. If the Council was not able to achieve the Section 125 within 12 weeks and the sale was completed, the resident could ask for a reduction on their rent should they proceed to complete the process on time. The Council had recruited additional staff to help with the influx of applications received to be able to meet the demand. Work was being done with the Valuations team to make sure there was surveyor capacity to be able to value properties within the timescale set out.
- The audit picked up fraud checks for right to buy applications. When a right to buy application was received, before it was accepted, the application was passed to the internal fraud team. Financial checks were made and if need be, follow-ups would be made. The audit recognised that significant due diligence had been done around minimising fraud for right to buy, but a housekeeping recommendation was made to make sure that information captured was saved centrally. At the time of the audit, it was saved locally.
- There could be an increase in work for the internal audit team.
- The time period to qualify for the original discount was 21 November 2024. The arrangements after 21 November 2024 was unclear. The Council decided it would take the date of 21 November 2024 plus five days, so anything received after the additional five days would not be eligible for the previous discount. However, if the Council received an application by 21 November 2024 and an error had been made on the application, an additional five days would be given to correct the error.
- Any applications received after 21 November 2024 plus five days would be not eligible for the previous discount.
- The audit did look at valuation and methodology and there were no concerns raised around the accuracy of the valuation, but there had been on the backlog of valuations - over 40. This backlog had been cleared. The reason for the delay was that there was one surveyor used by the corporate property team who went on sick leave and that caused the backlog to build up. Since then, more internal capacity had been built in the team and externally another valuer was available as an option.
- Under the right to buy process as a tenant, if one received a valuation, it was possible to appeal the valuation and subject to the appeal, original valuation, a higher valuation or a lower valuation could be confirmed.
- The third tenancy officer had been recruited.

- At the beginning of each financial year, the Council earmarked 3,000 properties. A large proportion of these would be made up of the algorithm used. This gave an indicator of where fraud may be taking place. Doing random visits without any evidence would not be carried out. If there was data that supported a reason for that audit to take place, then the Council was more likely to identify fraud rather than a random visit. The algorithm provided a starting point, but ultimately the housing officers needed to visit the property get access to the property, look at who was living in the property, speak to the neighbours to ascertain where there was any fraud taking place.
- The five key areas were Council's completion of the tenancy audit, fraud related audits that were not triggered for completion, training, policies and procedures and data Integrity checks. One of the recommendations made on data integrity was to check the data held for tenants with regular spot checks. When tenancy audits were done, whilst it was important to maximise information held against the tenant, it was also important to maximise information on the household.
- As the audits were predominantly done between July and August 2024, a number of recommendations were not yet due. Most were due at some point in 2025.
- In terms of the damp mould case management system, phase one had been completed which enabled officers to capture key essential household information, phase two was currently being worked on and was the actual integration of the new system, built with the property management system. All areas of damp and mould, property management and data gathering systems would be integrated. A large proportion of the legal disrepair cases were about damp and mould and part of the recommendation within the audit was to make sure the Council was cross referencing the new damp and mould cases with the legal disrepair cases. This was to allow data sharing exercise to take place. Some properties could have a damp and mould wash where the damp and mould was expected to return. Sensors could be placed in the property. This would give real-time data around the way the household was using the property, how often they were putting the heating on and if there was there enough humidity in the property. This was still at the pilot stage. A large proportion of housing stock was built before 1934. There were old roofs that needed to be fully replaced rather than repaired. It was complex to tackle damp and mould. Where it was reported, if the Council felt it was a category one damp and mould, surveyors would inspect it and would do a temporary decant and ask the family to move out temporarily so that remedial work could be completed. For a category two damp and mould, surveyors would specify the works needed and get the work organised.
- One recommendation that had previously been made was to not to blame the tenant's lifestyle. Instead, residents were encouraged to heat the home properly. If they were under financial difficulty, they could contact the financial inclusion team. In some cases, families needed to be rehoused. Due to a shortage of housing supply, this was difficult to do.
- The Council had void standards, so when work on void properties had been completed, they would not be let if they had a high level of damp and mould. Some houses may have water penetration from the roof causing damp and mould, so the roof would have to be fixed first before the internal work and this could take time.
- When the Housing Improvement Plan was developed over a year and a half ago, the Council had just over 550 voids. The plan focused on tackling the void backlog and the HRA business plan assumed that the Council would have a void rate of 2% in 2025 -

around 300 voids. On average, the Council should be aiming to have no more than 150 voids per year. The Council was hoping to return back to 1% by March 2025. The Council had a higher level of voids this year in comparison to previous years and at the year to date, the Council had about 350 new voids come through from March 2024 until November 2024. The work was being done partially because of the neighbourhood move scheme. When families were offered new properties, particular estates received 70-80 voids within three to four weeks because all of the families that had been offered new properties. A general turnover of about 350 to 400 voids would occur each year considering the housing stock.

- On the audits, the issue was not about data integrity, but about capacity. The Council was required to do around 3,000 audits a year. The team did 1,400 because they had a team half the size.
- The issue around data was around damp and mould and it was partially based on the way the team initially collected the information which was manual. The information was now being collected in a streamlined manner with more detail. To collect the same level of data for the old cases, it meant going back to the old tenants and asking for new data sets. If the damp and mould referrals had been dealt with, these cases would remain closed.
- Mould wash would be ordinarily be done after a survey and a category one damp and mould was found. Sometimes another mould wash was needed. Sometimes more invasive treatment was needed like dealing with cold bridging where there was a cold space between the exterior and interior of the building and this area needed to be insulated.
- The system was only partially built. Phase two involved the integration of the existing system. Once done, this would provide a fuller view of all of the information of the property specifically. There would be more accurate reporting and recording of the progress. The CRM system would allow easier access to track progress.

RESOLVED:

To note the report.

## **9. INTERNAL AUDIT PROGRESS REPORT 2024/25 - QUARTER 2**

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

The meeting heard:

- The My Conversations process being recorded on the system was to be across the organisation. The My Conversations process may be taking place currently, but they were not logged on a system. Auditors had suggested that there needed to be a regime in the absence of a formal recording for that information to be captured. This was crucial in understanding how effective the Council was in appraising staff on a regular basis. Haringey had been benchmarked against other authorities and it was found that doing it would improve management arrangements or staff performance.
- The responsibility for making sure that staff were formally appraised rested within the directorates. However, there was a HR function which straddled the whole of the



organisation and this applied a second line of defence. This was to ensure that where compliance was not as strong as it should be, efforts could be made to ensure that compliance occurred.

- The responsibility for setting the standards for the organisation rested with HR and in that regard, this audit and the recommendations raised in it had been addressed to HR.
- The agency element of the workforce was not part of the audit. A separate audit had been done in that area. It was really important as an organisation that staff resources were used as effectively as possible. Regular conversations through the process was an important way of making sure that staff were fully appraised on what the Council was trying to achieve, what the goals of the organisations were and aligning them to the work that they were doing and feeding back regularly regarding progress. Improvements in that area would lead to a host of outcomes.
- A number of London boroughs were finding it difficult to position themselves to be able to deal with the new Procurement Act. It was likely that there would be a period of settling in for a year or so. The audits were seen as a means of making sure that the Council was as prepared as possible. Hopefully though the work, the service could be encouraged to make the necessary progression by the time the Council needed to settle into the Procurement Act fully.
- The Council had accepted all the recommendations that had been put forward in the report. The Council was not where it needed to be, particularly in terms of the training. The Strategic Procurement team was mobilising itself for the Act. They were getting themselves up to speed with what was required. Not all procurement activity happened within that team so it was important to identify the right people across the organisation to ensure all efforts were made achieve compliance. A full update could be provided at one of the upcoming meetings of the Committee.
- There were three elements of procurement that the Committee needed assurance over; system implementation, compliance with the Procurement Act and a general assurance around procurement processes and contract management processes.
- A report on the Procurement Act update to the Committee could also involve an update on improved governance on contracts.
- A query was raised regarding how the Committee would become aware that contract management had improved. In response, the meeting heard that the Council collected a lot of data on its contracts, mostly compliance data. However, once management had responded with their suggestions, Internal Audit would provide assurance.
- An action would be placed in the Action Tracker to monitor the 'limited assurance' status regarding Procurement.
- Panacea was a new procurement system the Council was looking at as a solution.

RESOLVED:

To note the audit coverage and follow up work completed.

## **10. ANTI-FRAUD AND CORRUPTION PROGRESS REPORT QUARTER 2 2024/25**

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

The meeting heard:

- The approximate 60% of cases that result in no further action after fixed penalty notices had been issued did not necessarily mean that an error had occurred. The extent of the evidence involved meant that prioritising resources to most serious or repeat offenders would be ones most readily pursued.
- The risk assessment was used to drive the activity of the team. This activity and the financial sanctions being applied was bringing an income stream into the team which would be used to bolster resources. The Council had an experienced Fraud team, but needed a succession plan.
- The Council had to take a step back from the housing fraud work while the Housing Improvement Program works progressed. As a team of six investigators, the team would have to come back together and focus on housing fraud. This would be a priority next year. However, cooperation from other teams across the Council was needed to make sure that substantial outcomes could be sought.
- The team had looked at all of the right buy applications from both the fraud and the money laundering regulations perspectives. This was expected to decrease. The team had two or three employee investigations, but once those investigations got to a certain point, the investigators could come back and take on a greater housing caseload.
- There were quite a lot of cases where the fraud team would focus on the seriousness or the criminality of a fraud, but would separate out any contractual breaches that fell under the disciplinary policy. Investigations would be done under the fraud strategy, but some matters needed to move through the disciplinary process quickly. The employee would have left the Council, but this did not mean that a fraud investigation would not continue. The case mentioned in the report referred to the team shortly before the person had left. The issue was around the person having a conflict of interest. The issue related most closely as a breach of employment contract, not a fraud matter. HR and the service had been informed about the lessons learnt. The declaration of interest had not been made by the officer and the potential conflict of interest was reasonably well recognised by other staff.
- The figures outlined on page 50 of the agenda papers were notional figures, not actual money. About two years ago, a case was prosecuted where someone had got a Council property, but were not using it as their main residential unit and the misuse had been going on for a number of years - five or six years. It was possible to get the notional figures quite high. For example, the current rent in London alone was around £15,000 to £18,000 a year.
- The Tenancy Management service was currently restructuring to reduce patch sizes so that the officers had more manageable workloads. Although fraud was a priority in Housing, there were a lot of other priorities which kept the team occupied. A new Head of Tenancy Management had been appointed and the progress of the team had been positive.

RESOLVED:

To note the activities of the team during quarter two of 2024/25.

## 11. QUARTERLY TREASURY MANAGEMENT UPDATE REPORT

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

- In response to a query regarding to the £73 million that was subject to short term borrowing, the meeting heard that, on average, the borrowing rate the Council had was at 5.11 %. Compared with some of the rates in terms of the PWLB, they were much higher over that period. The Council was always looking for opportunities where it could get the best value in terms of borrowing decisions.
- In relation to LOBOs, the Council had one LOBO that was refinanced - or the option was available every two years - this had been refinanced in the last financial year. Since then, the Council had £50 million worth of it. It would be three years before it was called, so the risk of that being actioned remained low. The Council also had a variety of loans - about two or three of them - that had shorter dates, but Arlingclose had advised that there was no appetite for them to get out of those deals, because the way they were structured through the use of swap contracts. Therefore, it was more expensive for them to come out those contracts. The main lenders had been keen to exit this as they did not want it on their balance sheets. This would result in the loan being subject to a higher rate. The Council would look to refinance this with the involvement of the PWLB. On both of these, the risk remained low.
- Most of the LOBOs were around over 20 years. It would be around 2050 or 2060 when their full terms were completed.

### RESOLVED:

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

The Chair noted that Mr Mpofu would be leaving the Council during the Christmas period. Members thanked Mr Mpofu for his hard work and dedication in his role.

CHAIR: Councillor Erdal Dogan

Signed by Chair .....

Date .....