



Haringey Council

Corporate Committee

TUESDAY, 25TH NOVEMBER, 2014 at 19:00 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, N22 8LE.

MEMBERS: Councillors Meehan (Chair), Griffith (Vice-Chair), Adamou, M Blake, Ejiofor, Elliott, Engert, Ibrahim, Jogee, Opoku, Ozbek and Wright

Quorum: 3 Councillors

AGENDA

1. APOLOGIES FOR ABSENCE (IF ANY)

2. URGENT BUSINESS

The Chair will consider the admission of any late items of urgent business. (late items will be considered under the agenda items where they appear. New items will be dealt with at item 13)

3. 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.

4. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

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

5. MINUTES (PAGES 1 - 6)

To consider and agree the minutes of the meeting held on 29 September 2014.

6. TREASURY MANAGEMENT SEPTEMBER 2014 MID-YEAR ACTIVITY AND PERFORMANCE UPDATE (PAGES 7 - 16)

Report of the Assistant Director for Finance on the Council's treasury management activities and performance in the six months to 30th September 2014.

7. TREASURY MANAGEMENT STRATEGY STATEMENT 2015/16 - 2017/18 (PAGES 17 - 48)

Report of the Assistant Director of Finance to present the proposed Treasury Management Strategy Statement for 2015/16 to 2017/18 to this Committee prior to it being scrutinised by Overview and Scrutiny Committee, re-presented to Corporate Committee in January 2015, and lastly to Full Council in February 2015 for final approval.

8. INDEPENDENT REVIEW OF THE INTERNAL AUDIT FUNCTION (PAGES 49 - 84)

Report of the Assistant Director of Corporate Governance informing the Committee of the requirements of the 2013 Public Sector Internal Audit Standards (PSIAS) and the action taken to address these; and to advise the Committee of the outcome of the independent review of the Council's internal audit service.

9. ANNUAL AUDIT LETTER (PAGES 85 - 92)

Report of Grant Thornton summarising the key findings arising from the work that they have carried out at the Council for the year ended 31 March 2014.

10. EXTERNAL AUDIT PROGRESS UPDATE (PAGES 93 - 102)

Report of Grant Thornton on progress delivering their responsibilities as the Council's external auditors.

11. QUARTERLY INTERNAL AUDIT REPORT (PAGES 103 - 136)

Report of the Assistant Director of Corporate Governance to advise the Committee on the work undertaken by the Internal Audit Service in completing the 2014/15 annual audit plan, together with the responsive and pro-active fraud investigation work, including housing benefit fraud investigations.

12. CORPORATE RISK REGISTER (PAGES 137 - 148)

Report of the Assistant Director of Corporate Governance to advise the Committee on the adequacy of the Council's Risk Management Framework and Policy and the activity undertaken to monitor the effectiveness of systems for the management of risk across the Council and compliance with them, and in order to facilitate this the corporate risk register is submitted to the Committee on an annual basis.

13. ANY OTHER BUSINESS OF AN URGENT NATURE

To consider any items admitted at item 2 above.

14. DATE OF NEXT MEETING

Thursday 29 January 2015 at 7.00pm

Bernie Ryan
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Monitoring Officer
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**MINUTES OF THE CORPORATE COMMITTEE
MONDAY, 29 SEPTEMBER 2014**

Councillors: M Blake, Ejiofor, Elliott, Engert, Griffith (Vice-Chair), Ibrahim, Jogee, McShane, Meehan (Chair) and Opoku

Apologies: Councillor Adamou

MINUTE NO.	SUBJECT/DECISION	ACTION BY
CNCL363	<p>APOLOGIES (IF ANY)</p> <p>Apologies for absence were received from Councillor Adamou and from Councillors Ibrahim and M Blake for lateness.</p>	
CNCL364	<p>URGENT BUSINESS</p> <p>There were no items of urgent business.</p>	
CNCL365	<p>DECLARATIONS OF INTEREST</p> <p>There were no declarations of interest.</p>	
CNCL366	<p>DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS</p> <p>There were none.</p>	
CNCL367	<p>MINUTES</p> <p>RESOLVED:</p> <p>That the minutes of the meeting held on 26th June 2014 be approved as a correct record, subject to the name of Councillor Opoku being included in the list of those councillors who were present at the meeting.</p>	
CNCL368	<p>TREASURY MANAGEMENT JUNE 2014 QUARTERLY ACTIVITY AND PERFORMANCE UPDATE</p> <p>George Bruce, Head of Finance – Treasury and Pensions, introduced the report as set out in the agenda.</p> <p>RESOLVED:</p> <p>That the Treasury Management activity undertaken during the quarter to 30th June 2014, and the performance achieved, be noted.</p>	
CNCL369	<p>STATEMENT OF ACCOUNTS 2013/14 AND AUDIT FINDINGS REPORT (ISA 260)</p> <p>Kevin Bartle, Assistant Director of Finance and Chief Finance Officer, introduced the report which presented the Statement of Accounts for</p>	

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MONDAY, 29 SEPTEMBER 2014**

2013/14 following the completion of the external audit.

The Committee also considered the Annual Report from Grant Thornton on their annual audit of the Council's statutory accounts, value for money and other relevant information. The report was presented by Paul Dossett and Paul Jacklin of Grant Thornton who began by drawing attention to the Executive Summary contained on page 173 of the agenda. They stated that the key messages arising from the audit of the Council's financial statements were:

- a) The Council had continued to improve the quality of its financial statements and the quality of information supporting the transactions and balances within the financial statements had proven to be robust.
- b) A notable improvement in both the quantity and quality of the working papers provided at the start of the audit which were appropriately referenced to the financial statements.

The Grant Thornton representatives continued by saying that the outstanding items referred to in the Executive Summary had been cleared and that they were therefore just waiting for receipt of the Letter of Representation from the Council, which could be sent once the Committee had given its approval to the Statement of Accounts.

They went on to refer to two recommendations contained in the Action Plan at Appendix A on page 197 of the report which were:

- a) That all members of staff should have a signed contract of employment that is filed with their HR records and
- b) The Council should ensure that relevant listings of debtors are run at the year end and saved as evidence to support balances within the financial statements.

The Grant Thornton representatives stated that the Council had continued to strengthen its financial arrangements and manage its budget better than in previous years. They concluded by saying that not only had the Council managed things well during 2014, but also put in place things to ensure good management over the next two to three years, adding that overall they had seen a very positive assessment of value for money.

Officers then responded to a number of questions from, and concerns raised by, members of the Committee relating to wording on the Council's website regarding the minuting of Area Forum meetings; the filing of staff contracts; an increase in sickness levels, and measures to increase income from business rates.

Oliver Craxton, Principal Committee Coordinator, stated that he would take up the concern raised regarding the fact that included in the Annual Governance Statement was the wording 'Area Forum and Committee

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agendas and minutes are available on the Council's website' but that Area Forums are not in fact minuted, only Area Committees, and he undertook to ensure that the wording on the Council's website was amended to reflect current practice.

Officers acknowledged that sickness rates had increased slightly, but it was reported that analysis had been undertaken of the situation and that the Council was taking steps to manage absence levels, including targeting cases where it was believed sickness absence was not genuine.

The Committee were also informed that considerable work was being done in response to Grant Thornton's finding that the contracts of three members of staff could not be found, and consequently to implement the associated recommendation that all staff should have a signed contract of employment which is filed with their HR records.

It was also reported that officers were currently working on producing a Growth Strategy which would lead to an increase in the number of traders in the borough paying business rates.

RESOLVED:

1. That the contents of the report, and the oral updates given at the meeting by Grant Thornton, be noted.
2. That the Statement of Accounts for 2013/14, together with the associated Letter of Representation, be approved, subject to any final changes required by the conclusion of the audit, being delegated to the Chief Financial Officer, in consultation with the Chair.
3. That the Audit Findings Report (ISA 260) of the auditors, Grant Thornton, be noted and the management responses in the Grant Thornton action plan contained within that report be approved.
4. That the Committee place on record its thanks to Kevin Bartle, Assistant Director of Finance and Chief Finance Officer, and all the Council officers involved in the preparation of the Statement of Accounts and Paul Dossett, and his team at Grant Thornton, for their sterling work on this matter, and that the Committee's thanks be conveyed to all those concerned.

CNCL370 EXTERNAL AUDIT - PROGRESS UPDATE

The Committee received the report of Grant Thornton.

RESOLVED:

That the progress report provided by the external auditor, Grant Thornton, be noted.

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CNCL371 QUARTERLY INTERNAL AUDIT REPORT (QUARTER 1)

The report was introduced by Anne Woods, Head of Audit and Risk Management. She drew attention to action being taken in regard to tenancy fraud and the fact that two council properties had been recovered and that a further 41 applications were currently under investigation. Anne Woods went on to say that a 'key amnesty' was being planned, to encourage people who were illegally sub-letting council properties to return their keys, without facing prosecution for tenancy fraud.

It was reported that in addition to fraud checks being carried out when Right- to-Buy applications were submitted, a considerable amount of information sharing, both within the Council, and with other authorities, was also undertaken to check, amongst other things, if applicants were on benefits, and if so, for how long.

In response to a question from a member of the Committee, Anne Woods stated that if there was a case for criminal prosecution arising from internal employee investigations, the Council would always liaise with the police, and that in-house disciplinary measures were carried out at the same time as any criminal prosecution.

In response to a question, Tracie Evans, Chief Operating Officer, stated that the Annual Audit Plan was presented to the Committee each March. Consequently, if Members had proposals regarding identifying and prioritising areas of work, and what should be included in the Plan, they should discuss the matter with herself and Kevin Bartle, Assistant Director – Finance, and if appropriate the matter would be added to the Annual Plan..

The Chair referred to schools taking action to address priority recommendations arising from the probity audit, which had been identified following a visit to the school. He stressed that it had been made very clear that if the Committee felt that a school was not performing to a sufficient standard they would be asked to attend a meeting of the Committee to provide an explanation.

Responding to questions from the Committee, Anne Woods stated every school in the borough was audited every three years, but possibly sooner if there were concerns about its financial affairs. She went on to say that in regard to schools, and any other audits carried out, follow-up audit work was undertaken to monitor previous outcomes, and that these were included in the regular progress reports submitted to the Committee.

RESOLVED:

1. That the audit coverage and counter-fraud work completed be noted, along with the actions taken during the quarter to ensure audit recommendations are implemented and to address the outstanding recommendations during the first quarter 2014/15.

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	<p>2. That as soon as practicable, the Committee be updated on progress taken by Highgate Wood School and Tiverton Primary School to address the priority recommendations identified in the probity audit following visits to the schools as part of the 2013/14 Internal Audit Plan.</p> <p>3. That Anne Woods, Head of Audit and Risk Management, also undertook to investigate the situation regarding the clearing of cases associated with council property tenancy fraud and report back to the Committee.</p>	
CNCL372	ANY OTHER BUSINESS OF AN URGENT NATURE	
	There were no items of exempt urgent business.	
CNCL373	EXCLUSION OF PUBLIC AND PRESS	
	It was not necessary to pass a resolution to exclude the public and press when consideration was given by the Committee to agenda item 12, as none were present at the meeting.	
CNCL374	CEJCC MEETING MINUTES	
	<p>RESOLVED:</p> <p>1. The exempt minutes of the meeting of the Council and Employee Joint Consultative Committee (CEJCC) held on 14th July 2014 be received.</p> <p>2. That it be noted that in future, the minutes of the CEJCC would be submitted to the Staffing and Remuneration Committee for consideration, and not the Corporate Committee, as the CEJCC was now a sub-committee of the Staffing and Remuneration Committee, following its establishment by Full Council on 21st July 2014, and not the Corporate Committee, as was the case previously.</p>	
CNCL375	ANY ITEMS OF EXEMPT URGENT BUSINESS	
	There were no items of exempt urgent business.	
CNCL376	DATE OF NEXT MEETING	
	<p>It was noted that the next meeting was due to be held on Tuesday 25th November 2014 at 7.00pm.</p> <p>The meeting ended at 8.22pm.</p>	

**MINUTES OF THE CORPORATE COMMITTEE
MONDAY, 29 SEPTEMBER 2014**

COUNCILLOR GEORGE MEEHAN

CHAIR



Haringey Council

Report for:	Corporate Committee 25 th November 2014	Item number	
Title:	Treasury Management September 2014 Mid-Year Activity & Performance Update		
Report authorised by :	Assistant Director – Finance (CFO)		
Lead Officer:	George Bruce, Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A	Report for Non Key Decision		

1. Describe the issue under consideration

- 1.1 This report updates the Committee on the Council's treasury management activities and performance in the six months to 30th September 2014 in accordance with the CIPFA Treasury Management Code of Practice. It is a requirement of the Code for the report also to be considered by Council.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That members note the Treasury Management activity undertaken during the six months to 30th September 2014 and the performance achieved.

4. Other options considered

- 4.1 None.

5. Background information



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- 5.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the 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."
- 5.2 The 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 reports quarterly.
- 5.3 However, overall responsibility for treasury management remains with the Council and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2014/15 on 26th February 2014. The Corporate Committee is responsible for monitoring treasury management activity and this is achieved through the receipt of quarterly reports. This report forms the 2nd quarterly monitoring report for 2014/15.
- 5.4 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

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.

- 5.5 The quarterly reports during 2014/15 are structured to cover borrowing first and then investments according to these factors, so that members can see how they are being addressed operationally.

6. Comments of the Chief Financial Officer and financial implications

- 6.1 Interest rates earned on investments remain low and significantly less than the cost of new borrowing and therefore the strategy of minimising cash balances is continuing in 2014-15. Borrowing will be taken only when required for liquidity purposes with the preference being short



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term local authorities loans at very low rates on short term bases. However longer term interest rates continue to be carefully monitored. The ability to take advantage of low interest rates in this way has resulted in anticipated saving on the treasury management budget.

7. Head of Legal Services and Legal Implications

7.1 The contents and recommendation of this report are in accordance the Treasury Management Strategy Statement and consistent with legislation governing the financial affairs of the Council. 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.

8. Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 None applicable.

11. Use of Appendices

11.1 Appendix 1: Summary of Treasury Management activity of performance
Appendix 2: Prudential Indicators

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

13. Treasury Management Activity and Performance: Borrowing

13.1 The Treasury Management Strategy Statement places a high emphasis on security of the Council's funds. One of the ways to do this is to minimise the funds held which need to be invested. This is where the borrowing and investment strategies interact.

13.2 During the financial year to date officers have been managing cash balances to keep them to a minimum and only borrowing externally when it is required to meet the Council's obligations. Debt to the value of £10.2 million will mature during the year. There has been no new borrowing in the year to date.



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13.3 The cashflow forecast (see 15.2 below) is showing periodic and temporary shortfalls in Q1, 2015 of up to £20 million. In order to address this, the current intention is to fund via short term local authority borrowing for maturities between overnight and three months. The rates payable should be around 0.5%.

13.4 The current approach to borrowing was recently discussed with Arlingclose using their projections of interest rate movements. The conclusion was that short term borrowing remained appropriate to fund temporary funding gaps. However, rates remain attractive from a longer term perspective and if long term borrowing is required in the next 12-24 months to fund the capital programme then consideration should be given to locking in current rates, even if this did incur a short term cost. Uncertainty around the timing of capital expenditure has to date caused reluctance to commit to longer term borrowing.

14. Treasury Management Activity and Performance: Security

14.1 The Council has sought to minimise its security risk by setting limits on each institution on the lending list. The Council has complied with all these limits during the financial year to date.

14.2 The economic environment remains uncertain, and given this background, the Council has kept cash investments to a minimum and short term. Money Market Funds continue to be used extensively as the portfolios are spread across a range of underlying investments to diversify risk. They also provide instant access enabling officers to take action quickly if there are any concerns about creditworthiness. The majority of the remainder of the Council's investments are with the government guaranteed Debt Management Office and overnight balances with Barclays. The only longer term investment is a two month deposit with Nationwide that matures in December 2014.

14.3 The deposits continue to be spread across the available money market funds to further minimise security risk. The table below shows the Council's deposits on 30th September 2014. These exclude pension fund balances of £1,247,000 and Icelandic balances, see paragraph 17. Pension fund balances are invested with Barclays Bank (£332,000) and money market funds (£915,000).

Institution	Long Term Credit Rating	Amount (£'000)	% of total deposits
BlackRock MMF	AAA	3,350	9.5
Deutsche MMF	AAA	2,990	8.5



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Goldman Sachs MMF	AAA	3,200	9.1
JP Morgan MMF	AAA	710	2.0
Invesco MMF	AAA	3,000	8.5
Barclays Treasury	A	4,630	13.1
Nationwide Building Soc	A	5,000	14.2
Debt Management Office	AAA	12,400	35.1
Total		35,280	100.0

* The Debt Management Office does not have a credit rating, so the UK Government rating is used as a proxy.

14.4 Arlingclose, the Council's treasury management advisers, has a way of scoring the level of credit risk the Council is taking. This measure scores credit risk on a scale of 0 to 10 on both a value weighted and a time weighted basis and the table below demonstrates how to interpret the scores:

Above target	AAA to AA+	Score 0 - 2
Target score	AA to A+	Score 3 - 5
Below target	Below A+	Score over 5

14.5 The scores for the latest quarter are shown below alongside the previous three quarters for comparison:

	March 2014	June 2014	Sept 2014
Value weighted	6.0	4.42	3.73
Time weighted	6.0	4.92	4.23

14.6 The scores have improved this quarter due to a greater proportion of the balances being invested with the DMO. The score represents an average credit rating of AA-.

15. Treasury Management Activity and Performance: Liquidity

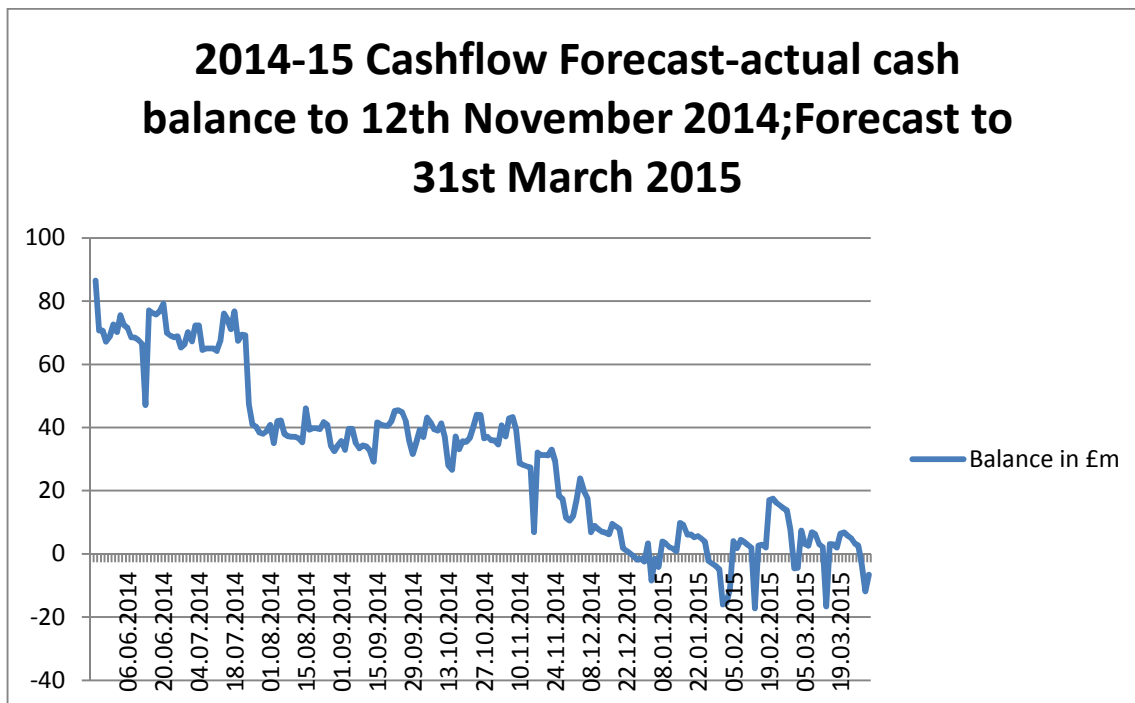
15.1 Once the Council is satisfied that security risk is being managed, the next consideration in treasury management is liquidity. The Council has a number of inflows and outflows every month and it is important that the Council's funds are managed to ensure there is sufficient liquidity when it is required. This is achieved through cashflow forecasting and monitoring.

15.2 The graph below is of the actual cash balances from April to November 2014 and projections for the 5 months to March 2015. The pattern is typical with balances highest in the early months and declining as the



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year progresses. The forecast predicts temporary borrowing needs of up to £20 million in Q1, 2015.



15.3 Based on the above projections, investments have been kept short term. The DMO deposits have a maturity of 13 and 17 days and the Nationwide deposit matures on 1st December 2014.

15.4 The weighted average maturity of the portfolio is 14 days (June – 16 days).

16. Treasury Management Activity and Performance: Yield

16.1 Only once security and liquidity have been considered and the Council is satisfied it has taken all steps to minimise these risks, should yield be a factor. Base rate has remained at 0.5% throughout the financial year to date and the Council's treasury management adviser, Arlingclose, is forecasting that it will remain at this rate until Q3, 2015.

16.2 The interest rates which money market funds are paying is between 0.35% and 0.43%. The Debt Management Office continues to pay 0.25% on all deposits regardless of the period of investment. The Barclays call account earns an initial rate of 0.25%. This rate is supplemented at year end by an additional 0.25% based on the average balance held on the account over the year. Longer maturities are paying rates that in absolute terms are not significantly higher e.g. 0.75% to 1% for 12 months deposits. The 2 month deposit with



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Nationwide earns 0.46% p.a. Quarterly earnings on the portfolio are approximately £40,000 at an average rate of 0.34%.

16.3 The interest payable on borrowing for 2014-15 is currently projected at £16.7 million (HRA £11.3 million and General Fund £5.4 million). The projections prior to the start of the year were total interest of £18.0 million (HRA £11.8 million and General Fund £6.2 million). The savings arise from less borrowing being required than was originally anticipated and prior year borrowing being of short maturities.

16.4 The average rate payable on the borrowing portfolio is currently 5.34%.

17. Icelandic Banks Update

17.1 The distributions received from the Icelandic banks now total £34.8m out of the original £36.9m invested, which is a 94%. Further recoveries of at least £0.9 million are anticipated with a possible final distribution from Heritable this year. That will only leave the Glitnir escrow account (£0.4 million), which is locked in an Icelandic Krona account due to exchange control restrictions. The Glitnir Winding up Board has reported that earlier distributions of £37,000 were overpaid through using the wrong exchange rate and is seeking recovery. Settlement has been offered from the ISK escrow account.

18. Prudential Indicators

18.1 The Council set prudential indicators for 2014/15 in February 2014. The set of indicators is made up of those which provided an indication of the likely impact of the planned capital programme and those which are limits set on treasury management activity. Appendix 2 sets out the original indicators, the current forecast for each of the capital indicators and the current position on each of the treasury management limits.

18.2 None of the limits on treasury management have been breached in the year to date. Borrowing is well within the operational and authorised limits set due to the continued policy of using internal cash balances to fund the capital programme.



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Appendix 1: Summary of Treasury Management Activity & Performance

1. Treasury Portfolio

	Position at March 2014 £000	Position at September 2014 £000
Long Term Borrowing PWLB	182,159	181,675
Long Term Borrowing Market	125,000	125,000
Short Term Borrowing		0
Total Borrowing	307,159	306,675
Investments: Council	9,570	35,280
Investments: Icelandic deposits in default	2,177	2,177
Total Investments	11,747	37,457
Net Borrowing position	295,412	269,218

2. Security measure

	March 2014	September 2014
Credit score – Value weighted	6.0	3.73
Credit score – Time weighted	6.0	4.23

3. Liquidity measure

	March 2014	September 2014
Weighted average maturity – deposits (days)	1.0	14
Weighted average maturity – borrowing (years)	29.8	29.4

The repayment of short term local authority borrowing has increased the average maturity.

4. Yield measure

	March 2014	September 2014
Interest rate earned	0.32%	0.34%
Interest rate payable	5.45%	5.41%



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Appendix 2: Prudential Indicators

No.	Prudential Indicator	2014/15 Original Indicator	2014/15 Position/Forecast Sept 2014
CAPITAL INDICATORS			
1	Capital Expenditure	£k	£k
	General Fund	46,563	77,430
	HRA	63,310	52,995
	TOTAL	109,873	130,425
2	Ratio of financing costs to net revenue stream	%	%
	General Fund	2.16	2.05
	HRA	11.13	10.90
3	Capital Financing Requirement	£k	£k
	General Fund	281,727	292,157
	HRA	271,096	271,096
	TOTAL	552,823	563,253
4	Incremental impact of capital investment decisions	£	£
	Band D Council Tax	17.19	24.34
	Weekly Housing rents	0.17	0.10



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No.	Prudential Indicator	2014/15 Original Indicator	Position / forecast Sept 2014	
5	Borrowing Limits	£k	£k	
	Authorised Limit / actual debt	561,079	413,715	
	Operational Boundary/actual debt	425,844	413,715	
NB: includes leases £66.7m				
6	HRA Debt Cap	£k	£k	
	Headroom	54,442	54,442	
7	Gross debt compared to CFR	£k	£k	
	Gross debt	425,844	413,715	
	CFR	552,823	563,253	
NB: Gross debt includes leases.				
8	Upper limit – fixed rate exposure	100%	98%	
	Upper limit – variable rate	40%	2%	
9	Maturity structure of borrowing (U: upper, L: lower)	L	U	
	under 12 months	0%	40%	2.7%
	12 months & within 2 years	0%	35%	5.2%
	2 years & within 5 years	0%	35%	12.2%
	5 years & within 10 years	0%	35%	13.0%
	10 yrs & within 20 yrs	0%	35%	0.0%
	20 yrs & within 30 yrs	0%	35%	7.4%
	30 yrs & within 40 yrs	0%	35%	21.6%
	40 yrs & within 50 yrs	0%	50%	12.6%
50 yrs & above	0%	50%	25.3%	
10	Sums invested for > 364 days	£0	£0	
11	Adoption of CIPFA Treasury Management Code of Practice	√	√	



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Report for:	Corporate Committee 25 th November 2014	Item number	
Title:	Treasury Management Strategy Statement 2015/16 – 2017/18		
Report authorised by :	Assistant Director – Finance (Chief Financial Officer)		
Lead Officer:	George Bruce, Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A		Report for Non Key Decision	

1. Describe the issue under consideration

- 1.1 To present the proposed Treasury Management Strategy Statement for 2015/16 to 2017/18 to this Committee prior to it being scrutinised by Overview & Scrutiny Committee, represented to Corporate Committee in January 2015 and finally to full Council in February 2015 for final approval. Prudential Indicators will be included in the January 2015 update.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That the proposed Treasury Management Strategy Statement for 2015/16 to 2017/18 be agreed and approved for release to Overview and Scrutiny Committee before being represented to Corporate Committee, subject to updating to reflect the agreed capital programme.

4. Other options considered



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4.1 None.

5. Background information

- 5.1 The CIPFA Treasury Management Code of Practice requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years.
- 5.2 The CIPFA Treasury Management Code of Practice requires that the Treasury Management Strategy Statement is formulated by the Committee responsible for the monitoring of treasury management, is then subject to scrutiny before being approved by full Council. Corporate Committee is responsible for formulating the Treasury Management Strategy Statement for recommendation to full Council through Overview and Scrutiny Committee and in consultation with the Cabinet Member for Resources & Culture.
- 5.3 In previous years the Treasury Management Strategy Statement has been presented to Corporate Committee in January before being considered by Overview and Scrutiny Committee a few days later. However due to the timing of meetings in January 2015, it has become necessary for the Committee to consider the strategy early. The proposed capital programme for future years is not yet ready and so it has not been possible to include debt, investment and prudential indicator projections.
- 5.4 The figures and the proposed prudential indicators will be updated once the capital programme is approved by Cabinet in December, so that they accurately reflect the Council's plans. This report with the updated figures will then be presented to this Committee and Overview & Scrutiny Committee in January before the strategy is presented to full Council for final approval in February.

6. Comments of the Chief Financial Officer and Financial Implications

- 6.1 The approval of a Treasury Management Strategy Statement and prudential indicators are requirements of the CIPFA Treasury Management Code of Practice and CIPFA Prudential Code. The proposed strategy of minimising borrowing and continuing to make use of internal balances not only minimises costs, but also reduces the credit risk associated with investments, as the amount being invested is low.



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- 6.2 New borrowing will still be required during 2015/16 due to planned maturities and capital expenditure (mainly housing related), and it is proposed that the cost of refinancing be minimised by borrowing short term from local authorities to maintain liquidity and taking opportunities to fix borrowing rates from the PWLB as they arise.

7. Head of Legal Services and Legal Implications

- 7.1 The Council must make arrangements for the proper administration of its financial affairs and its power of borrowing is set out in legislations. In addition further changes were introduced to the way the Housing Revenue Account is dealt with as a result of the Localism Act 2011. The level of HRA Capital Financing Requirement must remain within the debt cap set by the Department of Communities and Local Government.
- 7.2 The Council is required to determine and keep under review its borrowing and in complying with this requirement it must have regard to the code of practice entitled the “Prudential Code for Capital Finance in Local Authorities” as published by CIPFA from time to time. In addition, the Council adopted the CIPFA Treasury Management Code of Practice in May 2002.
- 7.3 As mentioned in this report the Code of Practice requires the Council to agree a Treasury Management Strategy Statement (TMSS) (including an Investment Strategy). In considering the report Members must take into account the expert financial advice available within it and any further oral advice given at the meeting of the Committee. In particular, members should note the need for short term borrowing.

8. Equalities and Community Cohesion Comments

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

9. Head of Procurement Comments

- 9.1 Not applicable.

10. Policy Implications

- 10.1 None applicable.

11. Use of Appendices

- 11.1 Appendix 1: Draft Treasury Management Strategy Statement 2015/16 – 2017/18.



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12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

13. Proposed Treasury Management Strategy Statement

13.1 As set out in paragraph 5.3 above no debt, investment or prudential indicator projections for future year have so far been included. This is because the capital programme is not due to be considered by Cabinet until December. The lack of precise figures at this stage does not affect the proposed strategies for borrowing and investing.

13.2 Once the capital programme is agreed by Cabinet, the figures and prudential indicators will be updated to reflect the programme. This will impact on tables 1 to 9 in the strategy. This report with the updated figures will then be presented to this Committee and to Overview & Scrutiny Committee in January before the strategy is presented to full Council for final approval in February 2015 as part of the Financial Planning report.

13.3 In 2015/16 a continuation of very low short term interest rates compared to medium and long term rates is expected throughout the year. This means that there will be an on-going “cost of carry” if funds are borrowed in advance of capital expenditure being incurred. Therefore the Council plans to continue to run a strategy of keeping cash balances low and invested short term using local authority borrowing to cover temporary liquidity requirements.

13.4 As there are £8 million of loans due to mature during 2015/16, and the Council has already maximised its internal borrowing position, new borrowing will be required. The size of the capital programme for 2015-16 and beyond remains imprecise but it is anticipated that additional borrowing will be required, in particular to support housing related capital expenditure. Interest rates across all maturities are expected to increase and the gap between long and short rates to narrow. In this environment it appears increasingly appropriate to lock in borrowing of maturities matching the life of the assets acquired even where this does incur a carry cost. Advice from the Council’s treasury management advisers will be considered when switching from short to long term borrowing.

13.5 The Local Government Association has established the Municipal Bonds Agency in collaboration with local authorities. The MBA, which aims to offer debt at costs below the PWLB, has been included as a borrowing counterparty.



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- 13.6 For the investment strategy, the main consideration has been the continued weakness of banks credit ratings. The ability of governments to require non protected deposit holders, such as local authorities, to convert deposits into capital, has increased the anticipated loss should a default occur.
- 13.7 The appropriate response is to minimise the use of deposit facilities with weaker rated clients and rely on more secure investments e.g. covered deposits, tradable instruments and high quality overseas banks and to increase diversification within the portfolio.
- 13.8 The counterparty list (annex 5) includes three highly rated overseas banks that are active in accepting sterling deposits. RBS / NatWest has been excluded as its credit rating has dropped below A-, but Santander UK is re-instated. Arlingclose advises on the maximum maturity of banks deposits. Banks rated AA- or better have seen their maximum maturities reduced from 13 to 6 months. For banks with single A, the reduction has been from 6 months to 100 days. The Council has followed this guidance.
- 13.9 Although the minimum criterion for the Council's lending list is set with reference to credit ratings, the Council will review a range of information in addition to credit ratings when determining credit worthiness. Within the strategy statement, the proposed limits for time and amounts are maximum limits, and the list of counterparties is the broadest range which can be used. However, operationally the limits applied and counterparties used are reviewed regularly and where necessary restricted in response to any concerns about creditworthiness to ensure security of investments remains the priority for the Council. In particular, maximum maturities recommended by Arlingclose will be followed.
- 13.10 The policy to minimise debt by fully using internal balances means that investment balances will also be minimised and therefore will be kept short term (it is unlikely that new deposit maturities will exceed three months) and balances with individual counterparties will be much lower than the limits contained within the strategy.

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**Treasury Management Strategy Statement
and Investment Strategy 2015/16 to 2017/18**

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Annexes

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 - A: General Fund Pool
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2. Summary of Prudential Indicators
3. Arlingclose's Economic and Interest Rate Forecast
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1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the Communities and Local Government (CLG) Department's Investment Guidance.
- 1.2 CIPFA has defined Treasury Management as:
"the management of the organisation'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."
- 1.3 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are integral elements of treasury management activities and include Credit and Counterparty Risk, Liquidity Risk, Market or Interest Rate Risk, Refinancing Risk and Legal and Regulatory Risk.
- 1.4 The strategy takes into account the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates. Subsequent changes to the revenue budget and capital programme will require adjustments to the TMSS and Prudential Indicators.
- 1.5 The purpose of this report is to propose:
 - Treasury Management Strategy - Borrowing in Section 4, Investments in Section 5
 - Prudential Indicators – these are detailed throughout the report and summarised in Annex 2
 - MRP Statement – Section 10

2. CIPFA Treasury Management Code of Practice

- 2.1 Adoption of the CIPFA Treasury Management Code of Practice is one of the Prudential Indicators. The Council originally adopted the Code of Practice in May 2002. Revisions to the Code in 2009 and 2011 have been reflected in updated versions of all policies and procedures.

3. Balance Sheet and Treasury Position

- 3.1 The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), together with Balances and Reserves, are the core drivers of Treasury Management activity. The estimates for each pool, based on the current proposed Revenue Budget and Capital Programmes, are:

Table 1a: Treasury Position – General Fund

	31/03/2014 Actual £'000	31/03/2015 Estimate £'000	31/03/2016 Estimate £'000	31/03/2017 Estimate £'000	31/03/2018 Estimate £'000
General Fund CFR	272,753	292,157			
Less: Share of existing External Debt & Other Long Term Liabilities	154,927	163,812			
Internal Borrowing	117,826	108,345			
Cumulative Net Borrowing Requirement	0	20,000			

Table 1b: Treasury Position – HRA

	31/03/2014 Actual £'000	31/03/2015 Estimate £'000	31/03/2016 Estimate £'000	31/03/2017 Estimate £'000	31/03/2018 Estimate £'000
HRA CFR	271,096	271,096			
Less: Share of Existing External Debt & Other Long Term Liabilities	206,646	199,903			
Internal Borrowing	64,450	41,193			
Cumulative Net Borrowing Requirement	0	30,000			

- 3.2 The tables above show how the Council's capital requirement is funded currently and how it is expected to be funded in the coming years. Due to the differential between short and long term interest rates (discussed in more detail in section 4), the Council has maximised the amount of internal borrowing that can be done. As short term interest rates are not expected to rise over the next two years, it is anticipated that a significant level of internal borrowing will continue, with the only reduction expected reflecting the planned movement in reserves.

- 3.3 Ensuring that gross external debt does not exceed the CFR over the medium term is a key indicator of prudence. There has been no difficulty meeting this requirement in 2014-15 to date, nor are there any difficulties envisaged for future years, as the levels of internal borrowing in tables 1a and 1b above demonstrate.
- 3.4 It is a requirement for the HRA CFR to remain within the limit of indebtedness or “debt cap” set by the DCLG at the time of the implementation of self-financing. The table below shows the current expected level of the HRA CFR and the debt cap. Any decision by the Council to undertake new borrowing for housing will cause the future years’ debt predictions for the HRA debt pool to increase.

Table 2: HRA Debt Cap

	31/03/2014 Actual £'000	31/03/2015 Estimate £'000	31/03/2016 Estimate £'000	31/03/2017 Estimate £'000	31/03/2018 Estimate £'000
HRA CFR	271,096	271,096			
HRA Debt cap	327,538	327,538			
Headroom	56,442	56,442			

- 3.5 Table 3 below shows proposed capital expenditure over the coming three financial years. It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and housing rent levels.

Table 3: Capital Expenditure

	2013/14 Actual £'000	2014/15 Approved £'000	2014/15 Projected Out-turn £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
General	41,510	46,563	77,430			
HRA	32,074	63,310	52,995			
Total	73,584	109,873	130,425			

- 3.6 Capital expenditure is expected to be financed or funded as follows:

Table 4: Capital Financing

	2013/14 Actual	2014/15 Approved	2014/15 Projected Out-turn	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Capital receipts	1,009	9,269	14,282			
Other grants & contributions	18,534	9,896	16,759			
Government Grants	12,566	32,307	31,393			
Reserves / Revenue contributions	28,981	40,044	35,175			
Total Financing	61,090	91,516	97,609			
Borrowing	12,494	18,357	32,816			
Total	73,584	109,873	130,425			

- 3.7 As an indicator of affordability the table below shows the incremental impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Table 5: Incremental Impact of Capital Investment Decisions

	2013/14 Actual	2014/15 Approved	2014/15 Projected Out-turn	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£	£	£	£	£	£
Increase in Band D Council Tax	11.59	17.19	24.34			
Increase in Average Weekly Housing Rents	0.09	0.13	0.10			

- 3.8 The ratio of financing costs to the Council's net revenue stream is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

Table 6: Ratio of Financing Costs to Net Revenue Stream

	2013/14 Actual	2014/15 Approved	2014/15 Projected Out-turn	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	%	%	%	%	%	%
General Fund	2.38	2.16	2.05			
HRA	11.89	11.13	10.90			

4. Borrowing Strategy

- 4.1 A breakdown of the Council's current and expected external borrowing plus other long-term liabilities is shown in Annex 1. This is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.
- 4.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

Table 7: Authorised Limit for External Debt

	2013/14 Actual Debt	2014/15 Approved	2014/15 Projected Out-turn	2015/16 Authorised Limit	2016/17 Authorised Limit	2017/18 Authorised Limit
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	307,159	489,334	346,970			
Other Long-term Liabilities	54,414	71,745	66,745			
Total	361,573	561,079	413,715			

- 4.3 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit. The Operational Boundary and Authorised Limit apply at the total level.

Table 8: Operational Boundary for External Debt

	2013/14 Actual Debt £'000	2014/15 Approved £'000	2014/15 Projected Out-turn £'000	2015/16 Operational Boundary £'000	2016/17 Operational Boundary £'000	2017/18 Operational Boundary £'000
Borrowing	307,159	359,099	346,970			
Other Long-term Liabilities	54,414	66,745	66,745			
Total	361,573	425,844	413,715			

- 4.4 The Chief Financial Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Corporate Committee.
- 4.5 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. The interest rate forecast provided in Annex 3 indicates that an acute difference between short and longer term interest rates is expected to continue into 2017. This difference creates a “cost of carry” for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment.
- 4.6 This “cost of carry” has been a feature of money markets since 2009-10 and by essentially lending its own surplus funds to itself (i.e. internal borrowing) the Council has minimised borrowing costs and reduced overall treasury risk by reducing the level of its external investment balances. As this position is expected to continue throughout 2015-17, there are no plans to replace this internal borrowing with external borrowing. When the 2014-15 strategy was prepared it was projected that new external borrowing of approximately £34 million was required in the year to refinance maturing debt and a reduced level of internal borrowing. Currently, new debt in the current financial year is forecast at £20 million and will comprise relatively short duration local authority borrowing to minimize interest costs. Long term debt maturities of £8 million in 2015-16 together with any short term borrowing held at the end of the current year will require refinancing in the next financial year. If all planned capital expenditure is actually incurred, the borrowing requirement may increase to £50 million depending on the value of reserves to support internal borrowing.
- 4.7 The Council will adopt a flexible approach to this borrowing in consultation with its treasury management advisers, Arlingclose Ltd. The following issues will be considered prior to undertaking any external borrowing:

- Affordability;
- Maturity profile of existing debt;
- Interest rate and refinancing risk;
- Borrowing source.

4.8 In conjunction with advice from Arlingclose Ltd, its treasury management adviser, the Council will keep under review the following borrowing options:

- PWLB loans
- Municipal Bond Agency
- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets
- Capital markets (stock issues, commercial paper and bills)
- Structured finance
- Leasing

4.9 One new borrowing route may become available next year, the Municipal Bond Agency (“MBA”). This is a vehicle initiated by the Local Government Association and supported by Council’s to collectively raise debt at rates below the PWLB. The dilemma in considering the MBA is that initially its rates and flexibility may be inferior to the PWLB but if successfully launched will be in a good position to save on the PWLB margin of 80b.p. charged above the Government’s cost of borrowing.

4.10 Looking forward, the Council’s capital plans currently remain uncertain as to the value and timing of expenditure. However, there are indications that there will be a significant requirement for new borrowing in 2015-16 and beyond to support capital expenditure, in particular by HRA. With long term rates anticipated to increase by 40-50 bps in the next 12-24 months, it may be economic to lock in longer term borrowing when greater capital expenditure visibility is available, even if this does entail a short term cost. In particular, longer term rates have demonstrated volatility and interest costs can be mitigated by timing the acquisition of new debt.

4.11 The “cost of carry” discussed above has resulted in recent preference for shorter dated and variable rate borrowing. These types of borrowing inject volatility into the debt portfolio in terms of interest rate risk, however this is counterbalanced by its affordability and alignment of borrowing costs with investment returns. In practice relatively little new borrowing has been required in recent years. The Council’s exposure to shorter dated and variable rate borrowing is kept under regular review by reference to the difference between variable rate and longer term borrowing costs. A narrowing in the spread between 3 month and 20 year rates to under 2% will result in a review of the borrowing strategy in conjunction with the Council’s treasury management advisers to determine whether the exposure to shorter dated and variable rates is maintained or altered.

4.12 The Council has £125m of loans which are LOBO loans (Lender’s Options Borrower’s Option) and all of them are in their call periods. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan at which point the Borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Council since the decision to call a LOBO is entirely at the lender’s discretion. As LOBOs currently make up 35% of the total external debt portfolio, this is a significant risk. However, at the present time the interest rates on LOBO loans of 4.7% to 4.75% are above PWLB rates making any opportunities to repay both unlikely and financially beneficial. Any LOBO called will be discussed with the Council’s treasury advisers prior to the acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted.

4.13 The Council’s debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs. The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring, although occasional opportunities arise. The rationale for undertaking any debt rescheduling would be one or more of the following:

- Savings in risk adjusted interest costs
- Rebalancing the interest rate structure of the debt portfolio
- Align long term cash flow projections and debt levels
- Changing the maturity profile of the debt portfolio.

In the short term gains would accrue from replacing long term debt with shorter maturities, but from a longer term perspective this would not add value. Borrowing and rescheduling activity will be reported to Corporate Committee as part of the quarterly monitor reports.

4.14 The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

4.14 The Council’s existing level of fixed interest rate exposure is 98% and variable rate exposure is 2%, however it is recommended that the limits in place for 2014/15 are maintained in future to retain flexibility. At present variable rates from the PWLB compare unfavourably with short term loans from local authorities due to the additional margin charged over gilts. If LOBO loans are treated as variable, the current variable allocation is 40%.

Table 9: Fixed and Variable Interest Rate Exposure

	2014/15 Approved	2014/15 Actual	2015/16 Upper Limit	2016/17 Upper Limit	2017/18 Upper Limit

	%	%	%	%	%
Upper Limit for Fixed Interest Rate Exposure	100	98	100	100	100
Upper Limit for Variable Interest Rate Exposure	40	2	40	40	40

- 4.15 The Council is required to set limits on the percentage of the portfolio maturing in each of the periods set out in the table below. Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt. The limits have been set to reflect the current debt portfolio, and to allow enough flexibility to enable new borrowing to be taken for the optimum period. The limits apply to the combined General Fund and HRA debt pools.

Table 10: Maturity Structure of fixed rate borrowing

	Lower Limit	Upper Limit	Projected 31-Mar-15
	%	%	%
under 12 months	0%	40%	9%
12 months & within 24 months	0%	35%	5%
24 months & within 5 years	0%	35%	11%
5 years & within 10 years	0%	35%	12%
10 years & within 20 years	0%	35%	0%
20 years & within 30 years	0%	35%	7%
30 years & within 40 years	0%	35%	20%
40 years & within 50 years	0%	50%	12%
50 years & above	0%	50%	24%

[£20 million on new short term borrowing included.]

5. Investment Policy and Strategy

- 5.1 Guidance from the Communities and Local Government Department (CLG) on Local Government Investments in England requires that an Annual Investment Strategy be set.
- 5.2 The Council's investment priorities are, in this order:
- security of the invested capital;
 - liquidity of the invested capital; and

- an optimum yield that is commensurate with security and liquidity.

5.3 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Instruments proposed for the Council's use within its investment strategy are contained in Annex 4 and the list of proposed counterparties is shown in Annex 5. In keeping with the strategy of maintaining low investment balances while internally borrowing, it is proposed that all investments will have a maturity of less than one year during 2014/15. The Chief Financial Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Investment activity will be reported to Corporate Committee as part of the quarterly reports.

5.4 Although the UK economy has reported strong GDP growth in recent quarters this has not translated into a stronger banking sector. In fact bank credit ratings have continued to weaken, with RBS / NatWest dropping below the minimum rating of A-. UK Banks have suffered losses due to compensation payments and regulatory fines with the Government's determination to share the cost of future rescues with unprotected creditors (bail in risk) also pushing down on credit ratings. The combination of weaker banks and Government's requiring creditors to contribute towards the cost of supporting banks pose considerable investment challenges. Constructing an investment portfolio in these circumstances will consider the following approaches to risk mitigation:

- a) Continuing to minimise investment balances through delaying new borrowing.
- b) Investing with the UK Government backed DMO and other UK local authorities.
- c) Maintaining a diversified investment portfolio to spread risk, including money market & enhanced cash funds.
- d) Including high quality overseas banks in the counterparty list.
- e) Investing in 'covered deposits' which offer an additional layer of protection in the form of backing assets.
- f) Buying tradable instruments such as commercial paper that offer access to non financial counterparties and can improve liquidity.

5.5 Reference was made in 5.4 to bail in risk. The UK (and other) Governments have legislated that when a bank's capital ratio falls below minimum levels and the bank is not able to raise fresh capital that part of the non protected customer deposits will be converted into share capital. Protected deposits include retail and non financial business customers. Local authorities deposits are **not** protected and will therefore suffer a greater loss than if the bail in was spread across all deposits. Bail in increases the risk to the Council from bank deposits. An appropriate response is to reduce reliance on bank deposits, lower exposures to the weaker banks and increase diversification of bank deposits. For this reason three overseas banks have been included on the counterparty list (appendix 5)

- 5.6 The Counterparty policy (appendix 4) incorporates the above options. Consideration was given to reducing the minimum credit quality below A- to facilitate access to a wider range of UK banks and building societies, but this was rejected as increasing the default risk. No investments will have duration of more than 12 months and in practice durations of more than 3 months are unlikely, unless borrowing to support capital expenditure is taken early to capture favourable rates.
- 5.7 With all investments the Council makes there is a risk of default, so the proposed list of investments is prepared to minimise this risk by being selective about the counterparties to be used. It is proposed to continue to apply a minimum long term credit rating of A-, which is described as “high credit quality” by the rating agencies.
- 5.8 The Council treasury advisor recommends maximum maturities for individual counterparties and although these are only advisory, they are being followed.
- 5.9 All counterparties on the list are subjected to continual monitoring, in conjunction with the Council’s treasury management advisers, to ensure that they continue to meet the high standard set. The range of information used to determine creditworthiness is:
- Credit ratings (long and short term and credit rating watches)
 - Credit Default Swaps (where quoted)
 - Sovereign support mechanisms/potential support from a well-resourced parent institution
 - Share prices
 - Macro-economic indicators
 - Corporate developments, news and articles, market sentiment.
- 5.10 If the monitoring reveals any concern about an institution’s creditworthiness, it will be removed from the lending list with immediate effect. In normal circumstances a credit rating downgrade below the minimum criteria will not result in existing term deposits being recalled prior to contractual maturity. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office or UK Treasury Bills. (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council’s capital is secure). Current conditions are not considered to be “significant stress”.
- 5.11 In order to diversify the investment portfolio, investments will be placed with a range of approved investment counterparties. Maximum investment levels with each counterparty are set out in Annex 5 will ensure prudent diversification is achieved.
- 5.12 Money Market Funds (MMFs) and Enhanced Cash Funds (ECFs) provide good diversification of underlying counterparty but may themselves be subject to withdrawal restriction. The Council will therefore seek to

diversify any exposure by utilising more than one MMF or ECF unless there are significant instant access funds from other sources. The Council will also restrict its exposure to MMFs and ECFs with lower levels of funds under management and will not exceed 2% of the net asset value of the MMF or ECFs.

- 5.13 The Council is required to set an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. Given the current interest rate environment, the Council will not make investments for more than 364 days (see comments in 5.6 above).

6. Use of Financial Instruments for the Management of Risks

- 6.1 The CIPFA Treasury Management Code of Practice requires the Council to state if and how it will use financial instruments, such as derivatives. Currently, local authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the Council does not intend to use derivatives. Should this position change, the Council may develop a detailed and robust risk management framework governing the use of derivatives, but such a change in strategy would require full Council approval.

7. Housing Revenue Account Self-financing

- 7.1 Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the Department for Communities and Local Government.
- 7.2 The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Treasury Management Code of Practice recommends that authorities present this policy in the annual Treasury Management Strategy Statement.
- 7.3 On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long term loans borrowed will be assigned in to one pool or the other taking into consideration projected capital expenditure and reserves]. Interest payable and other costs/income arising from long term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account.
- 7.4 Differences between the value of the HRA loan pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may

be positive or negative. This balance will be measured periodically and interest transferred between the General Fund and HRA at the net average rate earned by the Council on its portfolios of treasury investments and short term borrowing.

8. Outlook for Interest Rates

8.1 The interest rate forecast provided by the Council's treasury management adviser, Arlingclose Ltd, is attached at Annex 3. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

8.2 This interest rate forecast shows that UK base rate is forecast to remain at 0.5% until quarter 3, 2015, rising slowly in 0.25% instalments thereafter. This will mean that short term rates remain significantly lower than long term rates throughout 2014/15 and beyond. As discussed in section 4, for this reason it is anticipated that cash balances will kept at a minimum throughout the financial year as the "cost of carry" will be significant for any borrowing taken before capital expenditure is incurred.

9. Balanced Budget Requirement

9.1 The Council complies with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget.

10. MRP Statement

10.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

10.2 The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

10.3 MRP in 2014/15: The guidance states Options 1 and 2 may be used only for capital expenditure originally incurred when government support was available. Methods of making prudent provision for self financed expenditure include Options 3 and 4. There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

10.4 It is a requirement for Council to approve the MRP statement before the start of the financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

- 10.5 It is proposed the Council will continue to apply Option 1 (charge 4% per annum over 25 years) in respect of capital expenditure originally incurred when government support was available and Option 3 (charge over the life of the asset) in respect of all other capital expenditure funded through borrowing. MRP in respect of leases and PFI (Private Finance Initiative) schemes brought onto the Balance Sheet under the IFRS (International Financial Reporting Standards) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

11. Other Issues

Monitoring & Reporting

- 11.1 Corporate Committee will receive quarterly reports on treasury management activity and performance. This will include monitoring of the prudential indicators.
- 11.2 It is a requirement of the Treasury Management Code of Practice that an outturn report on treasury activity is produced after the financial year end, no later than 30th September. This will be reported to Corporate Committee, shared with the Cabinet member for Resource & Culture and then reported to full Council. Overview and Scrutiny Committee will be responsible for the scrutiny of treasury management activity and practices.
- 11.3 Officers monitor counterparties on a daily basis with advice from the Council's treasury management advisers to ensure that any creditworthiness concerns are addressed as soon as they arise. Senior management hold monthly meetings with the officers undertaking treasury management to monitor activity and to ensure all policies and procedures are being followed.

Training

- 11.4 CIPFA's Treasury Management Code of Practice requires the Chief Financial Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.
- 11.5 Given the significant amounts of money involved, it is crucial members have the necessary knowledge to take treasury management decisions. Regular training sessions are arranged for members to keep their knowledge up to date.

Treasury Advisor

- 11.6 The CLG's Guidance on local government investments recommends that the Investment Strategy should state:

"Whether and, if so, how the authority uses external contractors offering information, advice or assistance relating to investment and how the quality of any such service is controlled."

- 11.7 The Council has appointed Arlingclose Limited as their treasury advisor, to provide information and advice about the types of investment and borrowing the Council should undertake and the counterparties that should be used. Quarterly service review meetings take place to monitor the service and the appointment is formally reviewed in accordance with the Council's Contract Standing Orders.

Detail of Treasury Position**A: General Fund Pool**

	31-Mar-15 Projected £'000	31-Mar-16 Estimate £'000	31-Mar-17 Estimate £'000	31-Mar-18 Estimate £'000
Existing External Borrowing commitments:				
PWLB	42,281			
Market loans	54,786			
Local Authorities	20,000			
Total External Borrowing	117,067			
Long Term Liabilities	66,745			
Total Gross External Debt	183,812			
CFR	292,157			
Internal Borrowing	108,345			
Cumulative Borrowing requirement	0			

B: HRA Pool

	31-Mar-15 Projected £'000	31-Mar-16 Estimate £'000	31-Mar-17 Estimate £'000	31-Mar-18 Estimate £'000
Existing External Borrowing commitments:				
PWLB	117,184			
Market loans	82,719			
Local Authorities	30,000			
Total External Borrowing	229,903			
CFR	271,096			
Internal Borrowing	41,193			
Cumulative Borrowing requirement	0			

Summary of Prudential Indicators

No.	Prudential Indicator	2015/16	2016/17	2017/18
CAPITAL INDICATORS				
1	Capital Expenditure	£'000	£'000	£'000
	General Fund			
	HRA			
	TOTAL			
2	Ratio of financing costs to net revenue stream	%	%	%
	General Fund			
	HRA			
3	Capital Financing Requirement	£'000	£'000	£'000
	General Fund			
	HRA			
	TOTAL			
4	Incremental impact of capital investment decisions	£	£	£
	Band D Council Tax			
	Weekly Housing rents			

No.	Prudential Indicator	2015/16	2016/17	2017/18			
TREASURY MANAGEMENT LIMITS							
5	Borrowing limits	£'000	£'000	£'000			
	Authorised Limit						
	Operational Boundary						
6	HRA Debt Cap	£'000	£'000	£'000			
	Headroom						
7	Upper limit – fixed rate exposure	100%	100%	100%			
	Upper limit – variable rate exposure	40%	40%	40%			
8	Maturity structure of borrowing (U: upper, L: lower)	L	U	L	U	L	U
	under 12 months	0%	40%	0%	40%	0%	40%
	12 months & within 2 yrs	0%	35%	0%	35%	0%	35%
	2yrs & within 5 yrs	0%	35%	0%	35%	0%	35%
	5 yrs & within 10 yrs	0%	35%	0%	35%	0%	35%
	10 yrs & within 20 yrs	0%	35%	0%	35%	0%	35%
	20 yrs & within 30 yrs	0%	35%	0%	35%	0%	35%
	30 yrs & within 40 yrs	0%	35%	0%	35%	0%	35%
	40 yrs & within 50 yrs	0%	50%	0%	50%	0%	50%
	50 yrs & above	0%	50%	0%	50%	0%	50%
9	Sums invested for more than 364 days	0	0	0			
10	Adoption of CIPFA Treasury Management Code of Practice	√	√	√			

ANNEX 3

Arlingclose's Economic and Interest Rate Forecast

	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17
Base Rate	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50		
3 month LIBID	0.60	0.65	0.85	1.00	1.15	1.30	1.45	1.60	1.75	1.85		
1 year LIBID	1.00	1.05	1.20	1.35	1.50	1.65	1.80	1.95	2.10	2.20		
5 yr gilt	1.85	1.90	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80		
10 yr gilt	2.55	2.60	2.70	2.75	2.80	2.85	2.90	2.95	3.00	3.05		
20 yr gilt	3.05	3.10	3.20	3.25	3.30	3.35	3.35	3.40	3.40	3.45		
50 yr gilt	3.10	3.15	3.25	3.30	3.35	3.40	3.40	3.45	3.45	3.50		

Underlying assumptions:

- The UK economic recovery has continued apace and now appears more sustainable. GDP growth has averaged 0.8% per quarter since the middle of 2013.
- While still largely driven by household consumption, the large and continued rise in employment makes this position of less concern in the short term. On the back of strong consumption growth, business investment is recovering, albeit from a low base, and should support continued expansion of GDP throughout this year.
- We expect consumption growth to slow later this year, alongside softening housing market activity, the subdued outlook for wage growth and slower employment growth.
- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. However, we expect that commodity prices will remain subdued given slowing global growth.
- The MPC remains concerned about the sensitivity of the UK economy to a rise in Bank Rate. The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth remains weak despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the

employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.

- However, we also expect employment growth to slow through the rest of the year as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- The lack of wage and inflationary pressures will be the main reasons policymakers are likely to hold off monetary tightening until later than markets are currently forecasting. They are nevertheless communicating the possibility of a rise in Bank Rate; an attempt, we believe, to prompt highly indebted businesses and households to manage and reduce their exposures to rising interest rates.
- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- Potential upside risks include a shift in relative monetary policy expectations between the UK and the US, and rises in commodity prices on the back of geo-political tensions.

ANNEX 4

Counterparty Policy

The investment instruments identified for use in 2015-16 are listed below under the 'Specified' and 'Non – Specified' investment categories. Specified investments are considered low risk and relate to funds invested for up to one year. Non-specified investments normally offer the prospect of higher returns but carry higher risk and may have a maturity beyond one year. All investments are sterling denominated.

Specified Investments

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limits £m	Maximum period of investment
Term Deposits	UK	Debt Management Account Deposit Facility (DMADF), Debt Management Office (DMO)	No limit	364 days
Gilts	UK	Debt Management Office (DMO)	No limit	364 days
Treasury Bills	UK	Debt Management Office (DMO)	No limit	364 days
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	364 days
Term Deposits/ Call Accounts/ Certificates of Deposit/covered deposits	UK or AAA	Counterparties rated at least AA- Long Term (or equivalent)	£20m per bank or banking group	364 days
Constant Net Asset Value Money Market Funds (MMFs)	UK/Ireland/Luxembourg domiciled	AAA rated Money Market Funds	£20m per MMF*; Group limit £100m	Instant Access

Investments do not include capital expenditure as defined under section 25(1) (d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate). Investment in gilts would only be undertaken on advice from the Council's treasury management adviser.

For credit rated counterparties, the minimum criteria will be the lowest equivalent long-term ratings assigned by Fitch, Moody's and Standard & Poor's (where assigned).

Long-term minimum: A- (Fitch); A3 (Moody's); A- (S&P)

The Council will also take into account the range of information on investment counterparties detailed in section 5.9.

The limits stated will apply across the total portfolio operated by the Council and so incorporate both Council and Pension Fund specific investments.

The limits for the period of investment are the maximum for the categories of counterparties. Lower operational limits will apply if recommended following a review of creditworthiness.

* Limit per MMF to be no more than 2.0% of the Money Market Fund's total assets.

The use of non-UK banks has previously been suspended. Six countries retain AAA ratings from all three rating agencies – Australia, Canada, Germany, Singapore, Sweden and Switzerland. Within these countries ten banks meet the AA- or better criteria mentioned above. Only three of these are active in the UK deposits market and these have been included as eligible counterparties (annex 5). Using the highest quality overseas banks will both improve the overall security of the investment portfolio and enable greater diversification.

Non- Specified Investments

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limits £m	Maximum period of investment
Gilts	UK	Debt Management Office (DMO)	£10 million	36 Months
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	36 Months
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Counterparties rated at least A- Long Term (or equivalent).	£20m per bank or banking group	364 days
Variable NAV Enhanced Cash Funds	UK/Ireland/Luxembourg domiciled	AAA - rated Funds	£5m per ECF*; Group limit £15m	Minimum Weekly Redemption

Non specified investments generally have either longer maturities than one year or weaker credit ratings than AA-, but not both.

Enhanced Cash Funds

Last year enhanced cash funds (also known as short dated bond funds) were included in the counterparty policy for the first time. To date, no investment has been made in these funds, which share many of the characteristics of money market funds. ECF's target a higher return than money market funds by extending the average maturity.

The use of such funds has been discussed with the Council's treasury advisor who are supportive provided the exposure is limited to 20-25% of the total deposits and we invest with higher security / lower volatility funds. A maximum of £5 million invested with a single fund is proposed. The Corporate Committee will be notified before the first investment with any such fund.

ANNEX 5

Lending List of counterparties for investments

This is the proposed list of counterparties which the Council can lend to, providing the counterparties meet the requirements set out in Annex 4 at the time of investment. The list will be kept under constant review and counterparties removed if the process described in 5.7 and 5.8 raises any concerns about their credit worthiness.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Arlingclose Suggested max maturity
Gilts, Treasury Bills, Term Deposits	UK	Debt Management Office (Term deposits & Deposit Facility)	No limit	N/A
Term Deposits	UK	Other Local Authorities	£30m per local authority	N/A
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Barclays Bank Plc	20	100 days
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	HSBC Bank Plc	20	6 months
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Lloyds Banking Group including Lloyds TSB and Bank of Scotland	20	6 months
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Santander UK	20	6 months
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Nationwide Building Society	20	6 months
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Standard Chartered Bank	20	6 months
Term Deposits/ Call Accounts/ Certificates of Deposit	Sweden	Svenska Handelsbanken	20	6 months
Term Deposits/ Call Accounts/ Certificates of Deposit	Australia	National Australian Bank	20	6 months
Term Deposits/ Call Accounts/ Certificates of Deposit	Australia	Australia & New Zealand Banking Group	20	6 months

Compared with last year, RBS has been removed from list and Santander UK and the three non UK banks added. Arlingclose recommend maximum maturities of 6 months for the above banks with the exception of Barclays (100 days).

The counterparty list excludes MMF and ECF's as the name of the fund reflects the fund manager not the quality of the underlying holdings. Selection of MMFs and ECFs will be based on the criteria set of in Annex 4. The limit for any single MMF is £20 million and each ECF is £5 million.



Haringey Council

Report for:	Corporate Committee 27 November 2014	Item number	
Title:	Independent Review of Internal Audit		
Report authorised by :	Assistant Director of Corporate Governance		
Lead Officer:	Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: anne.woods@haringey.gov.uk		
Ward(s) affected: ALL	Report for: Non-key decision		

1. Describe the issue under consideration

1.1 To inform Members of the requirements of the 2013 Public Sector Internal Audit Standards (PSIAS) and the action taken to address these; and to advise Members of the outcome of the independent review of Haringey's internal audit service.

1.2 The Corporate Committee is responsible for approving the arrangements for internal audit as part of its terms of reference. In order to facilitate this, and demonstrate compliance with the PSIAS, an independent review of the Council's internal audit function has been completed.

2. Cabinet Member Introduction

2.1 Not applicable

3. Recommendations

3.1 The Corporate Committee is recommended to note the findings of the independent review attached at Appendix A which confirms that, in accordance with PSIAS definitions, Haringey's internal audit service generally complies with the PSIAS requirements.

3.2 The Corporate Committee approves the action plan attached as Appendix B to address the recommendations included in the peer review.

4. Other options considered



Haringey Council

4.1 Not applicable.

5. Background information

- 5.1 In May 2011, the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) agreed to collaborate in the development of the internal audit profession in the public sector. As a result, national Public Sector Internal Audit Standards (PSIAS), based upon the mandatory elements of the global CIIA's International Professional Performance Framework have been developed.
- 5.2 The PSIAS came into force from 1st April 2013 and consists of the following:
- Definition of Internal Auditing;
 - Code of Ethics; and
 - Standards for the Professional Practice of Internal Auditing.
- 5.3 The PSIAS replace the Code of Practice for Internal Audit in Local Government in the United Kingdom, last revised in 2006. Compliance with the PSIAS is mandatory and the Head of Audit and Risk Management is expected to report on the level of conformance within her annual report. It should be noted that discussions with CIPFA suggest an acknowledgement that it may be a number of years before all Local Government Internal Audit services achieve full conformance with the PSIAS. Instances of non-conformance with the PSIAS must be reported to the Corporate Committee (the 'Board' for PSIAS purposes) and any significant gaps must be considered for inclusion in the Annual Governance Statement. No significant gaps were reported in the 2013/14 AGS.
- 5.4 The PSIAS aim to promote the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide the Section 151 Officer (the Assistant Director of Finance) with the key assurances they need to support them in their role and in producing the annual governance statement.
- 5.5 The PSIAS require that an external assessment of Internal Audit's compliance against the standards is carried out at least once every five years. Therefore an external assessment should be carried out 1 April 2018. In the interim years, an internal self assessment is considered sufficient to review compliance with PSIAS.
- 5.6 In London, the London Audit Group has arranged for a reciprocal peer review process to be completed by all Heads of Audit across London at no cost to individual authorities. As part of this arrangement Haringey Council's internal audit function was reviewed by the Head of Internal Audit at the London Borough of Brent in October 2014. The Head of Audit and Risk Management at Haringey will review a different authority's internal audit



Haringey Council

function before 1 April 2018. The independent review of Haringey's audit function concluded that:

- The Council's internal audit service generally conforms to the requirements of the Public Sector Internal Audit Standards;
- It fully conforms in all but one area (reporting) within the three fundamental assessment areas (those which test compliance with the basic principles of audit work);
- It was only adjudged as not fully conforming due to the scores within the 'impact' section (which assesses the added value impact of the service); and
- To achieve fully conforming is a difficult benchmark due to the number of standards which need to be achieved and the degree of subjectivity attached to the impact assessment.

6. Comments of the Chief Financial Officer and Financial Implications

6.1 There are no direct financial implications arising from this report. The work within Audit and Risk Management to comply with the PSIAS is completed by Mazars which is part of the framework contract awarded to the London Borough of Croydon from 1 April 2012, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. Other work to support compliance with the PSIAS is undertaken by in-house staff which is funded by the revenue budget.

6.2 It is noted that the reciprocal peer review arrangements put in place by the London Audit Group ensures that the statutory PSIAS review process is completed at no additional cost to local authorities.

7. Comments of the Assistant Director, Corporate Governance and Legal Implications

7.1 The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and has no comments.

8. Equalities and Community Cohesion Comments

8.1 This report deals with how risks to service delivery are managed across all areas of the Council, which have an impact on various parts of the community. Improvements in managing risks will improve services the Council provides to all sections of the community.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications



Haringey Council

10.1 There are no direct implications for the Council's existing policies, priorities and strategies. However, improving controls will assist the Council to use its available resources more effectively.

11. Use of Appendices

11.1 Appendix A – Independent Review of Internal Audit, October 2014
Appendix B – Action Plan

London Borough of Haringey – Internal Audit Service

**External Assessment in accordance with the Public Sector Internal
Audit Standards**

**Assessor – Simon Lane Head of Audit and Investigation London
Borough of Brent**

**Report Date 3/11/2014
Assessment Undertaken October 2014**

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Executive Summary

The council's internal audit service generally conforms to the requirements of the Public Sector Internal Audit Standards. It fully conforms in all but one area (reporting) within the three fundamental assessment areas (those which test compliance with the basic principles of audit work) and was only adjudged as not fully conforming due to the scores within the "impact" section (which assesses the added value impact of the service).

To achieve fully conforming is a difficult benchmark due to the number of standards which need to be achieved and the degree of subjectivity attached to the impact assessment.

The following remedial actions were identified:

- The service should take steps improve the average time taken to produce draft reports from exit meeting date.
- The Head of ARM should seek to agree the role of internal audit in relation to strategic input with the council's senior management team and identify any consequent resource demands, building any requirements into the 2015/16 plan

Introduction

1. The Quality Assurance and Improvement Programme (QAIP) is a requirement of the Public Sector Internal Audit Standards (PSIAS) which came into force on 1st April 2013. It is intended to raise standards across the public sector. This programme is intended to:
 - Facilitate identification of actions for continuous improvement;
 - Facilitate evaluation of progress with improvement plans; and
 - Provide an approach to both internal reviews and external Quality Assurance reviews which is not “tick box” and which goes beyond compliance with the Standards alone.
2. The QAIP is intended to apply to all internal audit services where compliance with the PSIAS is required. This includes all internal audit services within local government.
3. The standards set out a series of requirements across various headings, together with examples of how compliance maybe achieved. The Head of Audit within the organisation is required to provide an annual statement with regard to compliance with the PSIAS. This is normally submitted as part of the Head of Audit annual report or opinion statement. In addition, once every five years, the service must be externally assessed.
4. The London Audit Group, which has been in existence since 1950 and comprises the Heads of Audit and other senior audit staff across London has set up a peer review process for external assessments. This includes a template for assessing compliance, a questionnaire for stakeholders and guidance on how an assessment should be undertaken. Use of the peer review scheme is voluntary and should be agreed by the Audit Committee or equivalent. The scheme is free.
5. Reviewers must have sufficient expertise, knowledge and experience to be able to conduct the review and authorities are not permitted to review each other. This report sets out the findings of the independent review for the London Borough of Haringey.

Statement of the Reviewer

6. I have undertaken the independent review of the internal audit service within Haringey Council in accordance with the approach set out by the London Audit Group. This included interviews with the Head of Audit and Risk Management, the Chair of the Audit Committee and the S.151 Officer. In addition the Impact survey was sent to, and completed by, the Chief Executive, Assistant Director of Corporate Governance and Monitoring Officer, Deputy Chief Executive, Chief Operating Officer and S.151 Officer. I reviewed a number of documents including the Audit Plan, Charter, various progress reports, three audit briefs and three audit files and reports. I based my assessment on these interviews and documents.
7. I am a qualified accountant (CIPFA) and have been Head of Audit and Investigation within a large London Borough for the past 14 years. I have held other positions within local government internal audit from 1986 to 1994 and between 1994 and 2000 managed a corporate fraud investigation function.
8. I should declare that I worked within the Internal Audit Section at Haringey from 1986 to 1993, finishing my career there as an Assistant Audit Manager. Given the passage of time since that date I do not consider that there are any conflicts of interest in that regard.

Evaluation

9. The evaluation is split into four sections:

Purpose & positioning	Structure & resources	Audit execution	Impact
<ul style="list-style-type: none"> • Remit • Reporting lines • Independence • Risk based plan • Assurance strategy • Other assurance providers 	<ul style="list-style-type: none"> • Competencies • Technical training & development • Resourcing • Performance management • Knowledge management 	<ul style="list-style-type: none"> • Management of the IA function • Engagement planning • Engagement delivery • Reporting 	<ul style="list-style-type: none"> • Standing and reputation of internal audit • Impact on organisational delivery • Impact on governance, risk, and control

10. For each sub-section a series of statements of good practice are provided as a guide in determining the performance of the service. Against this an assessment has been made as to the degree of conformance using the following scale, aligned with the Public Sector Internal Audit Standards:
 - **Fully Conforms** the reviewer concludes that the internal audit service fully complies with each of the statements of good practice.
 - **Generally Conforms** means the reviewer has concluded that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects. For the sections and sub-sections, this means that there is general conformance to a majority of the individual statements of good practice, and at least partial conformance to the others, within the sub-section. As indicated above, general conformance does not require complete/perfect conformance.
 - **Partially Conforms** means the reviewer has concluded that the internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit. Some deficiencies may be beyond the control of the service and may result in recommendations to senior management or the audit committee of the organisation.

- **Does Not Conform** means the reviewer has concluded that the internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and good practice statements within the section or sub-section. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the audit committee.
- 11.** An overall assessment of the performance of the internal audit service in conforming to good practice is made using the same scale.

1. Purpose and positioning

Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?

Remit										
Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> An internal audit Charter defines the purpose, authority and responsibility, within the organisation, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards, including a definition of the Board. The internal audit Charter is approved by the Board and is regularly reviewed, and communicated to all senior management and other relevant people The Charter defines the nature and scope of the assurance and consulting services provided to the organisation (including any assurances provided to parties outside of the organisation) and is such that it can provide independent and objective assurance and is not part of the direct control framework The Charter clearly defines internal audit's role in evaluating and contributing to the development of risk management, control and governance processes. Internal audit's role in relation to any fraud-related / investigations work is clearly defined within the Charter. 	<table border="1"> <tr> <td>X</td> <td>Fully conforms</td> </tr> <tr> <td></td> <td>Generally conforms</td> </tr> <tr> <td></td> <td>Partially conforms</td> </tr> <tr> <td></td> <td>Does not conform</td> </tr> </table> <p>Associated references</p> <p>PSIAS: Code of Ethics 1000 Purpose, Authority and Responsibility 1110 Organisational Independence 1210 Proficiency 2110 Governance 2120 Risk Management 2130 Control</p>	X	Fully conforms		Generally conforms		Partially conforms		Does not conform	<ul style="list-style-type: none"> IA charter. Updated for 2013 PSIAS, and includes relevant definitions.¹ Action: Definition of 'the Board' (Corporate Committee) to be included at next update of the Audit Charter. IA Charter circulated to Directors Group and approved by Corporate Committee 14 March 2013. Published on Council website with Corporate Committee meeting papers. No consulting services undertaken, it would be included in the Audit Charter if done. Potential areas of conflict are identified and mitigating controls in place. Included in Audit Charter, see Charter for details.
X	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									

Remedial actions	Target date	Responsibility
A.		
B.		

Comments on assessment: The Internal Audit Service has a charter, recently reviewed to include the requirements of the PSIAS. The point about defining the board is a minor issue and can easily be addressed. It has no impact upon the assessment. The Charter was presented to Committee in 2013.

1

<http://www.minutes.haringey.gov.uk/Published/C00000730/M00006029/AI00032468/AnnualAuditPlanappxb.pdf>

Reporting lines			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> The Board reviews and approves the appointment of the Chief Audit Executive (CAE) The CEO and the Chair of the Audit Committee contribute to the CAE's appraisal 	x	<ul style="list-style-type: none"> Head of Audit & Risk Management role was subject to Member appointment process. Head of ARM's appraisal conducted by the AD Corporate Governance and Monitoring Officer, but reviewed and signed off by CEO, copy held by Head of ARM. Direct report to AD Corporate Governance and Monitoring Officer, but access to s151 Officer, Statutory Officers Group, CEO and Chair of Corporate Committee. Annual Audit Plan approved by Corporate Committee (20/3/14)² and published on Council website. Head of ARM attends all Corporate Committee meetings, plus all Statutory Officers Group meetings which discuss the audit plan, corporate risk management and AGS. Minutes of meetings and reports published on Council website. Although the Head of ARM does not report directly to the S151, meetings are held when appropriate Head of ARM attends statutory officers group (Adults, Childrens, S151, Monitoring Officer, Chief Operating Officer, Chief Exec and Deputy Chief Exec) Quarterly reports to Corporate Committee³, plus annual Head of Audit report. Corporate Committee meetings agendas, reports and minutes published on the council's website. 	
			Fully conforms
			Generally conforms
			Partially conforms
<ul style="list-style-type: none"> Reporting lines for the CAE support independence, with functional reporting to the Board The Board agrees the strategy/plans of the internal audit service The CAE or their representative attend all Board and/or senior management meetings, particularly where key issues are discussed relating to governance, risk management or control across the organisation The CAE meets regularly with the Section 151 Officer The Board routinely see and considers the outputs of the internal audit service The Board is routinely updated with internal audit status and activity reports 			
		Does not conform	
	Associated references		
	PSIAS:		
	1100 Independence and Objectivity		
	1110 Organisational Independence		
	1111 Direct Interaction with the Board		
	2010 Planning		
	2060 Reporting to Senior Management and the Board		

² <http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=730&MId=6424&Ver=4>

³

[http://www.minutes.haringey.gov.uk/Published/C00000730/M00006836/AI00039172/\\$9IinternalauditprogressreportQtr1coveringreportfinal.doc.pdf](http://www.minutes.haringey.gov.uk/Published/C00000730/M00006836/AI00039172/$9IinternalauditprogressreportQtr1coveringreportfinal.doc.pdf)

Remedial actions	Target date	Responsibility
C.		
D.		

Comments on assessment: It is noted that the Head of ARM does not report to the S.151 officer. Although this tends to be the norm within local government, there is no stipulation within the PSIAS for a direct reporting line to the S.151 officer. The S.151 officer confirmed that he is confident that the Head of ARM would report matters directly to him if required.

Whilst the PSIAS recommend the Chair of the Audit Committee has input in to the annual appraisal of the Head of Audit, the guidance recognises that this is not the norm within local government.

Independence							
Statements of good practice	Assessment	Evidence					
<ul style="list-style-type: none"> Internal audit's position within the organisation is clearly established including authorisation for access to records, personnel and physical properties relevant to the performance of engagements The internal audit service is free of executive responsibilities such that it can provide independent and objective assurance Conflict of interests are identified, appropriately managed and avoided including those transferring to internal audit from elsewhere in the organisation Audit personnel are routinely rotated on assignments Audit personnel do not have any conflicting operating responsibilities or interests All internal audit staff are aware of and comply with the Code of Ethics and the Nolan principles Consultancy work that internal audit may undertake is clearly defined and agreed in advance by the Audit Committee when required by the PSIAS Areas which have been the recipient of internal audit 'consultancy' work are subject to audit review by personnel independent of the consultancy work The CAE, at least annually, confirms to 	<table border="1"> <tr> <td>x</td> <td rowspan="4"> Fully conforms Generally conforms Partially conforms Does not conform </td> </tr> <tr> <td></td> </tr> <tr> <td></td> </tr> <tr> <td></td> </tr> </table>	x	Fully conforms Generally conforms Partially conforms Does not conform				<ul style="list-style-type: none"> Constitution specifies right of access for Head of ARM to all records, buildings and personnel. Constitution, Part 4, Section I, para 5.56. Constitution published on Council website. Head of ARM has functional responsibility for Insurance Team. Identified in Audit Charter and mitigating controls in place to ensure independence. See IA Charter for identification of conflicts of interest and management. Annual declaration of interest forms retained by Head of ARM Mazars provide internal audit service. Staff rotated – audit planning spreadsheets held on shared drive. Annual declaration of interest return required from all staff, including Mazars manager. Head of ARM holds electronic copies of all declarations Part of Counter-fraud policy and Code of Conduct. Reminders of expected standards of behaviour circulated to all staff regularly via corporate newsletters (copies held). N/A. No consultancy work undertaken. As above, no consultancy work undertaken. Part of the Head of Audit's annual
	x	Fully conforms Generally conforms Partially conforms Does not conform					
Associated references PSIAS: Code of Ethics 1100 Independence and Objectivity 1110 Organisational Independence 1120 Individual Objectivity 1130 Impairment to Independence or Objectivity							

<p>the Board the organisational independence of the internal audit activity</p> <ul style="list-style-type: none"> The CAE notifies the appropriate parties if independence or objectivity is impaired in fact or appearance 		<p>report to Corporate Committee (26/6/14)⁴. Published Corporate Committee reports on Council website.</p> <ul style="list-style-type: none"> N/A to date, but would be reported.
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Remedial actions	Target date	Responsibility
E. F.		

4

[http://www.minutes.haringey.gov.uk/Published/C00000730/M00006835/AI00037900/\\$7AnnualInternalAuditreport201314coveringreportfinal.doc.pdf](http://www.minutes.haringey.gov.uk/Published/C00000730/M00006835/AI00037900/$7AnnualInternalAuditreport201314coveringreportfinal.doc.pdf)

Risk based plan										
Statements of good practice	Assessment	Evidence								
<p>A risk based internal audit plan has been developed which:</p> <ul style="list-style-type: none"> considers the relative risk maturity of the organisation considers the risk appetite as defined by management includes an assessment of optimal resources and skills required to deliver both the audit assurance and consultancy work, including identification of specialist skills, which may be required is clearly designed to enable the CAE to deliver an annual opinion on the effective of Governance, risk management and the system of control has been approved by the Board <p>• has been promulgated to all relevant parties</p> <p>• is subject to regular review to ensure that it remains appropriate and current</p> <p>Either the audit plan or a separate audit strategy document should:</p> <ul style="list-style-type: none"> include an assessment of risks that the audit service itself faces in delivering the plan and plans for controlling and mitigating the risks identified include consideration of if, and how, internal audit will rely on the assurance provided by other assurance providers include an assessment of the range of audit techniques that have been selected as the most effective for delivering the audit objectives set out how the internal audit service will measure its performance, quality assure itself and seek continuous improvement 	<table border="1"> <tr> <td>x</td> <td>Fully conforms</td> </tr> <tr> <td></td> <td>Generally conforms</td> </tr> <tr> <td></td> <td>Partially conforms</td> </tr> <tr> <td></td> <td>Does not conform</td> </tr> </table> <p>Associated references</p> <p>PSIAS: 2010 Planning 2020 Communication and Approval 2030 Resource Management</p>	x	Fully conforms		Generally conforms		Partially conforms		Does not conform	<p>Annual internal audit plan produced (three year strategic audit plan for key financial systems), based on:</p> <ul style="list-style-type: none"> risks within business unit and departmental risk registers, including changes in systems, structures and personnel; previous years' fraud investigation work; and resources and skills available, including specialist IT and procurement skills. Annual Internal Audit plan covers high risk areas across all Council departments <ul style="list-style-type: none"> Annual audit plan approved by Corporate Committee (20/3/14) and published on Council website. Draft and final Internal Audit Plan circulated to all directors and assistant directors (email via Head of ARM) Monthly review of the plan with Mazars (meeting minutes)⁵, ongoing discussions with directors Included in audit plan where relevant Part of Head of ARM annual report, published with Corporate Committee report and agenda meetings. Included in audit strategy. Key financial systems, probity reviews, IT audit, procurement audit, counter-fraud work, follow up audits. Performance measures set out in strategy/audit plan, published on council website as part of the Corporate Committee meeting reports and agendas (20/3/14).
x	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									

⁵ Reviewed latest monitoring spreadsheet

Remedial actions	Target date	Responsibility
G. H.		

Comments on assessment: The audit plan is some 850 days for council systems and schools plus a further 75 days for the ALMO, a total of 925 days. This excludes time spent on counter fraud work. It is a matter for the council to determine resources allocated to internal audit with advice from the Head of Audit and Chief Finance Officer (or officer with responsibility for ensuring the council has an adequate and effective internal audit). The Head of Audit has indicated that resources are adequate although the service does what it can within the resource allocation. i.e. the budget is fixed, that determines the number of days required and the plan is set to accommodate that number of days. This approach is not inconsistent with other council's.

The Head of audit has done well in reducing the number of days on specific audits, for example a primary school audit at 5 days, meaning more projects can be delivered within the total budgeted days. Some 80 projects are to be delivered from 925 days as opposed to Brent Council's achievement of a similar number from 1,200 days. Care should, however, be taken not to reduce individual audit scope and cause risks to be missed. It was noted that, for example, there was no testing of payroll in the testing schedule for schools in relation to compliance with the national pay scales on teachers pay. Payroll costs are the vast majority % of the budget with leadership pay being relatively high risk. Increased testing would of course increase the number of days, although it may be appropriate to remove some of the lower risk areas such as petty cash from the testing schedule to accommodate. It is also possible for these risks to be covered in thematic reviews across a number of schools and it was noted that this had been undertaken in 2011.

The other testing schedules for systems work were comprehensive.

Integration with other assurance providers

Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> The internal audit service effectively co-ordinates with appropriate assurance providers to reduce the duplication and minimise gaps in the assurance framework Internal audit promote co-operation between internal and external audit When auditing shared service functions consideration is given to audit work being performed by other audit services such that duplication is minimised When internal audit needs to work with other internal auditors from another organisation, the respective roles and responsibilities of the involved parties have been clearly defined and agreed in advance 	<table border="1"> <tr> <td data-bbox="710 349 783 421">x</td> <td data-bbox="783 349 928 421">Fully conforms</td> </tr> <tr> <td data-bbox="710 421 783 490"></td> <td data-bbox="783 421 928 490">Generally conforms</td> </tr> <tr> <td data-bbox="710 490 783 560"></td> <td data-bbox="783 490 928 560">Partially conforms</td> </tr> <tr> <td data-bbox="710 560 783 629"></td> <td data-bbox="783 560 928 629">Does not conform</td> </tr> </table> <p>Associated references PSIAS: 2050 Coordination</p>	x	Fully conforms		Generally conforms		Partially conforms		Does not conform	<ul style="list-style-type: none"> Known inspection/assurance services are factored into the audit plan where possible. Routine sharing of audit plans with external audit. Internal/External audit meet every other month to discuss audit issues, agenda set. Draft Internal audit plan provided to external audit. Limited shared service arrangements in place, but agreement on audit work undertaken is agreed in advance As point above, limited requirement to date but has been done for investigation work.
x	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									

Remedial actions	Target date	Responsibility
I. J.		

2. Structure & resources

Does the internal audit service have the appropriate structure and resources to effectively deliver the internal audit remit?

Competencies to deliver IA remit							
Statements of good practice	Assessment	Evidence					
<ul style="list-style-type: none"> The CAE holds a professional qualification (i.e. CMIIA, CCAB or equivalent professional membership) and is suitably experienced The audit function has access to the appropriate skills (technical expertise, qualifications, experience) required to ensure assurance can be provided in all areas of the business, for example in relation to fraud and knowledge of IT risks and controls Where there is a contracted out or partnership arrangement there is ongoing monitoring to ensure that contractors have the skills required for designated audit assignments 	<table border="1"> <tr> <td></td> <td rowspan="4"> Fully conforms Generally conforms Partially conforms Does not conform </td> </tr> <tr> <td>x</td> </tr> <tr> <td></td> </tr> <tr> <td></td> </tr> </table> <p>Associated references</p> <p>PSIAS: Code of Ethics 1210 Proficiency 1220 Due Professional Care</p>		Fully conforms Generally conforms Partially conforms Does not conform	x			<ul style="list-style-type: none"> Head of ARM is CIPFA qualified, with 10 years+ senior management experience. CIPFA registration Skills for assignments are discussed and agreed with Mazars prior to completion of the audit work. Specialist IT and procurement auditors are included in the audit plan. Counter-fraud work completed in-house by suitably qualified and experienced staff. Monitoring spreadsheet identifies auditor. Monthly monitoring meetings with Mazars general manager and senior audit manager. Minutes of meetings taken and circulated by Head ARM.
	Fully conforms Generally conforms Partially conforms Does not conform						
x							
Remedial actions	Target date	Responsibility					
K. L.							

Comments on assessment: The majority of the operational plan delivery is outsourced to Mazars via the Croydon Framework contract. Within outsourced arrangements it is often difficult to control the quality of staff and ensure they are appropriately knowledgeable to enable effective delivery and to gain the confidence of management. This is a recognised downside of outsourcing the internal audit function. To ameliorate this risk the Head of ARM has implemented an approach to the contract which includes both the ability to influence which staff are utilised on specific projects and also the ability to withhold payment on specific projects until any defects have been remedied. This is unusual within the Croydon framework in that most authorities are paying by monthly instalment of an agreed contract price. This approach will help to drive contractor performance.

Technical training & development ¹			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> All new staff receive induction training including both into the internal audit service and induction into the organisation Arrangements are in place to ensure that new staff receive an early assessment of their development needs and appropriate guidance, and training to address these needs All internal auditors undertake Continuing Professional Development (CPD) and have a training and development plan approved by their line manager Audit planning includes a sufficient time provision for training (including CPD) for all staff 	x	<ul style="list-style-type: none"> Corporate and local induction processes in place. Mazars staff receive induction from their line manager. Audit induction checklist. Corporate performance review processes in place and regular 1:1s held with all staff. Meeting notes circulated. Performance review forms (held by managers) include development section. Ongoing training via work based assignments, attendance at networking and training events. Networking and training events are planned into all staffs' calendars – Outlook calendars show attendance. 	
			Fully conforms
			Generally conforms
			Partially conforms
	Does not conform		
	<p>Associated references</p> <p>PSIAS: Code of Ethics 1230 Continuing Professional Development</p>		

Remedial actions	Target date	Responsibility
M.		
N.		

Resourcing			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> Internal audit is sufficiently resourced (in terms of staff and budget available) and deployed effectively to deliver the approved plan There is a recruitment strategy that sets out the recruitment standard to ensure that all staff have the appropriate intellectual qualities, personal attributes, skills, knowledge and qualifications A succession plan exists to ensure that senior vacancies are filled promptly by appropriately qualified staff 	x	<ul style="list-style-type: none"> MAZARS monitoring spreadsheet identified resources for internal audit work. Counter-fraud work recorded via case management database. Outsourced service provider has recruitment strategy. In-house team requirements kept under review by Head of ARM. Small in-house team in place, but development plans (see performance review forms) aim to provide broad experience. 	
			Fully conforms
			Generally conforms
			Partially conforms
			Does not conform
	<p>Associated references</p> <p>PSIAS: 2030 Resource Management</p>		
Remedial actions	Target date	Responsibility	
O. P.			

Performance management			
Statements of good practice	Assessment		Evidence
Appropriate personnel management and development procedures are in place within internal audit including: <ul style="list-style-type: none"> • Written job descriptions • Required competency frameworks • Recruitment procedures • Training and continuing education arrangements • Personal objectives setting and performance appraisal 	x	Fully conforms Generally conforms Partially conforms Does not conform	<ul style="list-style-type: none"> • Corporate requirements all in place for the in-house team, including JDs (reviewed in 2010), competency frameworks and training and development as part of the annual performance review processes. Copies held on intranet. • Copies of JD's held by Head of ARM, performance review forms held by managers.

Remedial actions	Target date	Responsibility
Q.		
R.		

Knowledge management			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> The internal audit service has systems in place to facilitate knowledge and sharing of best practice/organisational learning All staff attend regular team meetings to ensure that they remain up to date on knowledge of the organisation, the internal audit service and audit practices 	x	<ul style="list-style-type: none"> Cascade processes in place via manager meetings (minutes taken and circulated). Team meetings held regularly and minutes circulated. Copies of agendas and minutes held by Head of ARM and managers. 	
			Fully conforms
			Generally conforms
			Partially conforms
		Does not conform	
Remedial actions	Target date	Responsibility	
S.			
T.			

3. Audit execution

Does the internal audit service have the processes to deliver an effective and efficient internal audit service?

Management of the internal audit service			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> The CAE has established policies and procedures (typically in the form of a manual) to guide the internal audit activity Audit methodologies have been developed and are regularly reviewed and updated to ensure they are in line with current practice Policies in respect of document confidentiality, retention requirements and the release to internal and external parties have been developed and are consistent with the organisation's guidelines and any pertinent regulatory or other requirements Quality assurance procedures are defined and cover all aspects of the internal audit activity including: <ul style="list-style-type: none"> Supervision and review QA procedures and checklists including periodic internal quality reviews Compliance with applicable laws, regulations and government or industry standards Auditee / customer satisfaction surveys Periodic self-assessments against the PSIAS are performed and actions taken to address weaknesses 	x	<ul style="list-style-type: none"> MAZARS have policy and procedures in place. In-house procedures in place (copy held on shared drive) MAZARS regularly review procedures. In-house review and development part of performance review processes – allocated to individual officers to ensure skills development. Copies of performance review forms held by managers. ARM policy on Data Protection, retention and disposal of documents in place (including Information Asset Register) and reviewed regularly. Copy held on shared drive. MAZARS QA procedures in place and subject to regular review, including client satisfaction surveys (held by Head of ARM). Prior to PSIAS, regular peer review assessments took place of compliance with CIPFA code of practice (reports held by Head of ARM). Aim to complete peer reviews of compliance with PSIAS in accordance with requirements. Last undertaken in 2011.¹ 	
			Fully conforms
			Generally conforms
			Partially conforms
	Does not conform		
	Associated references PSIAS: 1310 Requirements of the Quality Assurance and Improvement Programme 1311 Internal Assessments 2040 Policies and Procedures 2330 Documenting Information		

Remedial actions	Target date	Responsibility
U.		
V.		

¹ By Camden 2011

Engagement planning				
Statements of good practice	Assessment	Evidence		
<ul style="list-style-type: none"> Detailed plans are developed and documented setting out the scope, limitations, objectives, resources, timing and reporting lines for each engagement Engagement plans are agreed with relevant management prior to the start of the fieldwork 	x	<ul style="list-style-type: none"> All Internal reviews have terms of reference which include required content. Copies held on shared drive and on each audit file.² All terms of reference are agreed by the client – at least Assistant Director level – in advance of the work. Terms of reference include required content. 		
			<ul style="list-style-type: none"> Engagement plans include consideration of the relevant systems, records, personnel, and physical properties including those under the control of third parties Plans include consideration of the risks to the area under review and the organisation’s risk management and controls processes Time budgets are developed for each engagement plan and are appropriate to the review scope and degree of associated risk Where areas require, particular specialist knowledge subject matter experts are identified and included as part of the audit team 	
				<p>Associated references</p> <p>PSIAS: 2200 Engagement Planning 2210 Engagement Objectives 2220 Engagement Scope 2230 Engagement Resource Allocation</p>
Remedial actions	Target date	Responsibility		
W.				
X.				

² Reviewed three audit briefs relating to a school, key financial system and high risk operational system (parking),

Performance of Audit work / audit delivery										
Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> • Work programmes that will achieve the engagement objectives are developed and approved prior to use and include procedures for identifying, analysing, evaluating and documenting information during the engagement • Internal auditors use standard documentation to ensure that evidence and findings are adequately documented 	<table border="1"> <tr> <td>x</td> <td>Fully conforms</td> </tr> <tr> <td></td> <td>Generally conforms</td> </tr> <tr> <td></td> <td>Partially conforms</td> </tr> <tr> <td></td> <td>Does not conform</td> </tr> </table> <p>Associated references</p> <p>PSIAS: 2240 Engagement Work Programme 2310 Identifying Information 2320 Analysis and Evaluation 2330 Documenting Information 2340 Engagement Supervision</p>	x	Fully conforms		Generally conforms		Partially conforms		Does not conform	<ul style="list-style-type: none"> • MAZARS methodology requires this to be fully documented. Copies held on all audit files. • Standard documentation used for all internal audit work – see audit files. Investigation work uses standard documents wherever possible – see procedures and audit files. • Standard processes used by MAZARS – documents included on all audit files. • Documents held on audit files. • Monitoring spreadsheet identifies auditor and manager • Exit meetings held at the conclusion of each assignment – monitoring spreadsheet confirms e dates • Used as and when required.
x	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									
<ul style="list-style-type: none"> • Work papers are clear, concise, and appropriately cross-referenced to work programmes so as to enable independent review and comprehension. • There is evidence that internal auditors are identifying, analysing, evaluating and documenting sufficient information to support the audit conclusions and opinions • There is evidence to confirm that all engagements are led or supervised by suitably competent individuals • Audit findings are discussed and confirmed with auditees prior to report drafting • Automated tools (e.g. data interrogation) are used appropriately to undertake testing as efficiently as possible 										
Remedial actions	Target date	Responsibility								
Y. Z.										

Reporting							
Statements of good practice	Assessment	Evidence					
<ul style="list-style-type: none"> • Communications are accurate, objective, clear, concise, constructive and timely • Audit reports convey appropriate audit scopes, limitations of scope, results, recommendations and an opinion on the adequacy of controls • Audit evidence is reviewed by a senior member of the audit function to ensure that the audit has been carried out in sufficient depth and to the function’s quality standards prior to the audit findings being distributed to the auditee • internal audit recommendations help the organisation address the risk in a way that does not create unnecessary control and the recommendations are practical • Draft audit reports are issued for consideration by the auditee within a reasonable, pre-agreed, timescale before they are finalised • Audit issues are reported to appropriate levels of management and to the Audit Committee • The CAE informs the Audit Committee if he/she believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation • There is a procedure for follow-up that ensures agreed recommendations are implemented effectively or that senior management has accepted the risk of not taking action • Unresolved or outstanding audit issues are reported to senior management in accordance with pre-agreed timescales and escalation procedures • The CAE presents to the Board at least annually, a report of internal audit activity containing an opinion of the overall adequacy and effectiveness of the organisation’s governance, risk management, and control processes • The annual report also states if the function conforms to the PSIAS and report any results of the QAIP 	<table border="1" style="margin: auto;"> <tr><td style="width: 30px; height: 20px;"></td><td rowspan="4" style="text-align: center;">Fully conforms Generally conforms Partially conforms Does not conform</td></tr> <tr><td style="text-align: center;">x</td></tr> <tr><td style="width: 30px; height: 20px;"></td></tr> <tr><td style="width: 30px; height: 20px;"></td></tr> </table>		Fully conforms Generally conforms Partially conforms Does not conform	x			<ul style="list-style-type: none"> • Positive feedback from client questionnaires – see copies held by Head of ARM • Standard format for all internal audit reports which include required content. Copies held on shared drive and audit files • All internal audit work is reviewed by a senior manager. Monitoring spreadsheet details sign off process and draft report issue dates. Audit files contain sign off processes. • Feedback from client surveys, plus discussion of draft reports with auditee to agree recommendations. Reports to Corporate Committee detail implementation progress. Details published • All audits have draft reports issued. Audit reporting protocol in place (copy on shared drive) and circulated to all clients. Monitoring spreadsheet in place to ensure compliance • Clients for each audit are at Assistant Director or above. All audits are reported to the corporate committee on a quarterly basis. Published reports on council website. • Would for part of progress reporting to Corporate Committee if required. • All audits are followed up and the results reported to Corporate Committee on a quarterly basis. Published on council website.
		Fully conforms Generally conforms Partially conforms Does not conform					
	x						
<p style="color: #c00000; margin: 0;">Associated references</p> <p style="margin: 0;">PSIAS: 2410 Criteria for Communicating 2420 Quality of Communications 2440 Disseminating Results 2500 Monitoring Progress 2600 Communicating the Acceptance of Risks</p>							

Reporting		
Statements of good practice	Assessment	Evidence
		<ul style="list-style-type: none"> • Quarterly progress reports shared with Directors in advance of the corporate committee meetings. Emails from Head of ARM. • Annual Head of Audit report presented to the corporate committee (26/6/14). All relevant areas covered. Published on council website. • Confirmation that the PSIAS were adhered to is covered in the annual report

Remedial actions	Target date	Responsibility
AA. The service should take steps improve the average time taken to produce draft reports from exit meeting date. BB.	December 2014	Head of ARM

Comments on assessment: Analysis of the audit monitoring sheet for 2014/15 showed a number of audits with long delays between exit meetings and draft report issue. This indicates either problems with initial drafting, the quality of initial fieldwork resulting in additional testing requirements or delays in reviewing reports by management. Whilst the average time taken between audit start and exit meeting was 11 days, an additional 33 days on average is taken to get reports to draft stage. Of 15 reports issued as at the time of the review, 4 had taken more than 60 days between exit meeting and draft report issue

4. Impact

Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation(s)?

The table below shows the aggregated response from five key stakeholders, the Chief Executive, Deputy Chief Executive, AD Corporate Governance and Monitoring Officer, Chief Operating Officer and S.151 Officer. In order to aggregate the scores responses were marked as follows: Do not agree -4, Partially agree -2, Generally agree +2, Fully agree +4. Hence the higher the negative or positive value the stronger the overall opinion. A RAG rating has been applied to indicate areas of strength and weakness. An average for the sub-heading has been calculated by totalling the scores and dividing by the number of categories. This has enabled an overall assessment for the sub-heading which is shown in the summary assessment section. The scores under internal audit indicate the response of the Head of ARM.

Aggregated Questionnaire Responses	Customers				Internal audit				Evidence and Comments	
	Do not agree	Partially agree	Generally agree	Fully agree	Do not agree	Partially agree	Generally agree	Fully agree		
Standing and reputation of Internal Audit									Customers	Internal audit
The internal audit service is seen as a key strategic partner throughout the organisation			-10				X		+8/4 = +2	
Senior managers understand and fully support the work of internal audit			+6				X			
Internal audit is valued throughout the organisation			-2				X			
The internal audit service is delivered with professionalism at all times			+14				X			
Impact on organisational delivery									Customers	Internal audit
The internal audit service responds quickly to changes within the organisation			0				X		+12/5 = +2.4	
The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate			+6					X		
The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes			-6				X			
The internal audit service ensures that recommendations made are commercial and practicable in relation to the risks identified			+2				X			
There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service			+10					X		

Aggregated Questionnaire Responses	Customers				Internal audit			Evidence and Comments
	Do not agree	Partially agree	Generally agree	Fully agree	Do not agree	Partially agree	Generally agree	
Has internal audit had a positive impact on Governance, Risk, and Control?							Fully agree	Customers Internal audit
The internal audit service includes consideration of all risk areas in its work programme							x	+32/8 = +4
Internal audit advice has a positive impact on the governance, risk, and the system of control of the organisation							x	
Internal audit activity has enhanced organisation-wide understanding of governance, risk, and control							x	
The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas							x	
The internal audit service raises significant control issues at an appropriate level in the organisation							x	
The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives					x			
Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation					x			
Internal audit activity promotes appropriate ethics and values within the organisation							x	

Remedial actions	Target date	Responsibility
CC. The Head of ARM should seek to agree the role of internal audit in relation to strategic input with the council's senior management team and identify any consequent resource demand, building any requirements into the 2015/16 plan DD. EE.	March 2015	Head of Audit and Risk Management
Associated references		
PSIAS: 2110 Governance 2120 Risk Management 2130 Control		

Comments on assessment: The above table, under the customers column, represents a collated summary of the survey responses. In order to provide a common view a score of -4 was allocated for "Do not agree", -2 for "partially agree", +2 for "generally agree" and +4 for "Fully agree". Hence a score of 5 x do not agree would equate to a score of -20. A RAG system has then been used to indicate where the strengths and weaknesses are perceived to be.

Responses from the Head of ARM are shown under the internal audit heading. The views were generally congruent between customers and the Head of ARM other than in the area of being seen as a strategic partner, the ability to communicate findings/build support and the challenging questions section. These areas would be worthy of focus going forward.

Although a questionnaire was not completed, the views of the Chair of the Audit Committee were positive in relation to the service and particularly the Head of Audit. There is clearly a good working relationship between the Head of Audit and the Chair. All committee members are provided with sufficient information about audit performance, controls and individual findings in order to fulfil their role.

Survey Response Analysis

Five key stakeholders were asked to complete the survey and provided responses: Chief Executive; Chief Operating Officer; S.151 Officer; AD Governance; Deputy Chief Executive. As with any survey there is a degree of dispersion of views, although there were areas where there was a clear consensus of views.

Positive Points

All respondents said they generally agreed that there had been no significant control breakdowns in areas which had been previously subject to a positive assurance by Audit, i.e. audit had not missed anything significant. This is a key indicator of audit's ability to detect issues, particularly fraud risks.

There was general agreement that senior managers understand and fully support the work of internal audit although one comment received indicated that, whilst managers supported the work, there was less clarity that they fully understood the role.

There was general agreement that the work programme was risk based and considered all organisational risks, that recommendations made were practical and most respondents fully agreed that significant control issues are raised at an appropriate level.

Most respondents felt that the service had a positive impact upon the internal control environment although there was less agreement that the service had improved understanding of those areas across the whole organisation. Although there was a lower degree of consensus, the contribution to ethics and values was generally seen as positive.

Most were in full agreement that the service is delivered with professionalism at all times and most felt resources were adequate to fulfil the service's current objectives.

Specific praise was given to the Head of Audit and Risk Management for her credibility amongst members and officers, independence and ability to tackle difficult issues.

Less Positive

Participants generally view audit as having little impact upon strategic development or decisions and were fairly neutral on the ability of the service to respond to change. One participant suggested that more flexibility in dropping audits from the original plan and replacing them with new work where new risks have been identified would represent a significant improvement in the current service.

Participants were less positive about the ability of the service to ask challenging and incisive questions to improve key risk areas.

There was only partial agreement with the statement that the service was adept at communicating results and building support and variability of auditor quality was identified as an issue by one participant.

Summary

The responses indicate that the service is perceived as doing the basics well, and hence the organisation can take assurance that the control environment is being properly reviewed and statutory requirements are being met.

The service is not seen as a strategic partner or enabler of continuous improvement although it is acknowledged that the audit plan is flexed to accommodate projects within the transformation programme.

This is, perhaps, an inevitable consequence of an environment in which cost is a significant driver and it is not always possible to reconcile the Head of Audit responsibilities to ensure that enough work is done to provide an annual assurance opinion and fulfil the council's desire for more consultancy type input.

Summary assessment

		Does not conform	Partially conforms	Generally conforms	Fully conforms	Comments
Purpose & positioning						
•	• Remit				X	See assessment comments
•	• Reporting lines				x	See assessment comments
•	• Independence				X	See assessment comments
•	• Other assurance providers				X	See assessment comments
•	• Risk based plan				X	See assessment comments
Structure & resources						
•	• Competencies				X	See assessment comments
•	• Technical training & development				X	See assessment comments
•	• Resourcing				X	See assessment comments
•	• Performance management				X	See assessment comments
•	• Knowledge management				X	See assessment comments
Audit execution						
•	• Management of the IA function				X	See assessment comments
•	• Engagement planning				X	See assessment comments
•	• Engagement delivery				x	See assessment comments
•	• Reporting			X		See assessment comments
		Do not agree	Partially agree	Generally agree	Fully agree	Comments
Impact						
•	• Standing and reputation of internal audit		x			See assessment comments
•	• Impact on organisational delivery		x			See assessment comments
•	• Impact on Governance, Risk, and Control			x		See assessment comments
				Generally conforms	x	

Independent Review of Internal Audit October 2014 – Action Plan

No.	Issue	Recommendation	Management Response	Responsible Officer	Deadline
1	<p>PSIAS requirement: Audit Charter.</p> <p>An internal audit Charter defines the purpose, authority and responsibility, within the organisation, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards, including a definition of the Board.</p>	<p>Definition of ‘the Board’ (Corporate Committee) should be included at the next update of the Audit Charter.</p>	<p>Agreed.</p>	<p>Head of Audit and Risk Management</p>	<p>March 2015</p>
2	<p>PSIAS requirement: Reporting.</p> <p>Draft audit reports are issued for consideration by the auditee within a reasonable, pre-agreed, timescale before they are finalised.</p> <p>Analysis of the audit monitoring sheet for 2014/15 showed a number of audits with long delays between exit meetings and draft report issue.</p>	<p>The service should take steps improve the average time taken to produce draft reports from exit meeting date.</p>	<p>Agreed.</p>	<p>Head of Audit and Risk Management</p>	<p>Ongoing</p>
3	<p>PSIAS requirement: Impact of Audit.</p> <p>Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation?</p>	<p>The Head of ARM should seek to agree the role of internal audit in relation to strategic input with the Council’s senior management team and identify any consequent resource demands, building any requirements into the 2015/16 plan.</p>	<p>Agreed.</p>	<p>Head of Audit and Risk Management</p>	<p>March 2015</p>

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The Annual Audit Letter for London Borough of Haringey

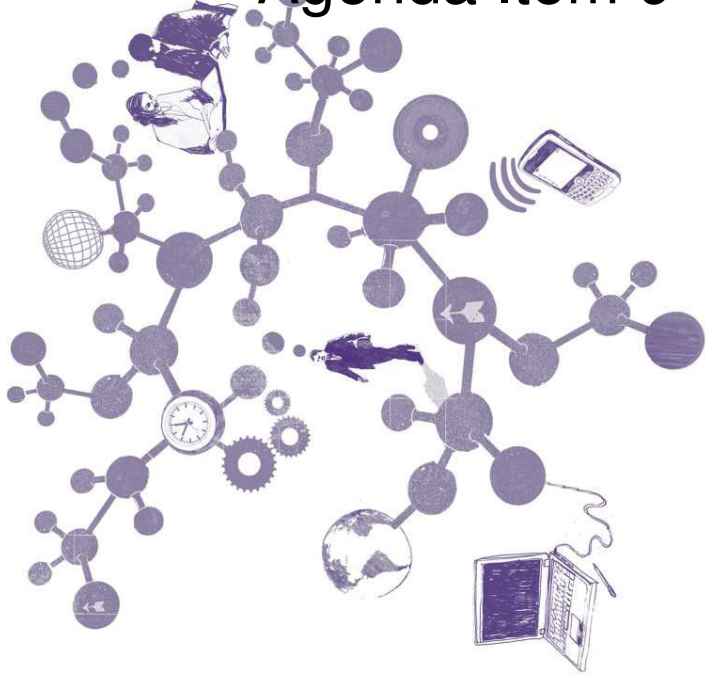
Year ended 31 March 2014

October 2014

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Appendices

A Key issues and recommendations

B Summary of reports and audit fees

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at the London Borough of Haringey (‘the Council’) for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 20 March 2014 and was conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

<p>Financial statements audit (including audit opinion)</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 29 September 2014 to the Corporate Committee. The key messages reported were:</p> <ul style="list-style-type: none"> • The Council improved the quality of the presentation of its financial statements. The quality of information supporting the transactions and balances within the financial statements was robust and well supported. • We identified a notable improvement in both the quantity and quality of the working papers provided at the start of the audit which were appropriately referenced to the financial statements. This led to a smooth audit process. We will continue to work with the Council to refine the working papers further for 2014/15. • We did not identify any adjustments affecting the Council’s reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded net expenditure of £196,568k; the audited financial statements show net expenditure of £196,568k. We have identified a small number of adjustments to improve the presentation of the financial statements. • We identified a small number of presentational issues that the Council corrected for in the revised set of financial statements. <p>We issued an unqualified opinion on the Council’s 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council’s financial position and of the income and expenditure recorded by the Council. The Council deserves a lot of credit for significantly improving its financial statements since 2012.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>

Key messages

<p>Audit Certificate</p>	<p>The audit has not yet been certified as closed as objections raised on the accounts by a local authority electors are being investigated in accordance with section 16 (2) of the Audit Commission Act 1998 (ACA 1998) and Accounts and Audit regulations 2011.</p>
<p>Whole of Government Accounts</p>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
<p>Certification of grant claims and returns</p>	<p>To date we have certified the Pooling of Housing Capital receipts return which was certified without amendment. We are still working on the Housing Benefits grant claim which has an end of November deadline and we are in the process of agreeing terms of reference for the audit of the Better Care Fund and Teachers' Pensions claims.</p>
<p>Audit fee</p>	<p>Our proposed fee for 2013/14 is £275,300 excluding VAT . This reflects an increase to the planned fee of £2,600 in relation to additional work performed on material business rates balances required by the Audit Commission. We are awaiting Audit Commission agreement to this increase. Further detail is included within appendix B.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>As part of our substantive testing of employee remuneration the Council were not able to locate three member of staff employment contracts. We conducted additional tests to ensure employee remuneration was fairly stated. Without signed contracts in place there is a potential risk that the Council are not protected if any employment disputes arose.</p> <p>Recommendation: All members of staff should have a signed contract of employment that is filed with their HR records.</p>	High	<p>HR is undertaking a review of the recruitment process including our contracts and team roles. We are in the process of making a number of changes to the way we manage on-boarding of new employees; as part of our recruitment changes made in September, which will enhance compliance with processes as follows:</p> <p>All recruitment activity will be handled by one team with no hand-off of processes to another team. This will put accountability and responsibility for obtaining all appropriate documentation with a single team, therefore, improving compliance with process and procedures.</p> <p>We have been working with legal to streamline the number of documents we send to new employees and be much clearer with employees what documents we require signing and returning to us to further improve employee compliance with our processes and procedures going forward</p> <p>Responsible office: Jacquie McGeachie</p> <p>Due date: March 2015</p>
2.	<p>The Council did not provide detailed year end reports to support debtor balances for Council Tax, National Non Domestic Rates and Car Parking fees and charges.</p> <p>Recommendation: The Council should ensure that relevant listings of debtors are run at the year end and saved as evidence to support balances within the financial statements</p>		<p>For the two areas where the debtor reports were not produced this year, the Council has already scheduled dry runs to ensure that the reports can now be produced. The Council will also be arranging for back-up tapes to be stored at year end as part of its contingency plan</p> <p>Responsible office: Lubna Nasir</p> <p>Due date: March 2015</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	272,700	275,300
Grant certification*	37,731	TBC
Total audit fees	310,431	

There is additional fee of £2,600 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for London borough councils and is subject to agreement by the Audit Commission.

* The final fee for our certification work will be confirmed in our certification work report to be issued in December 2014

Fees for other services

Service	Fees £
Whistleblowing investigation	5,000

Reports issued

Report	Date issued
Audit Plan	March 2014
Audit Findings Report	September 2014
Annual Audit Letter	October 2014
Certification report	Proposed December 2014



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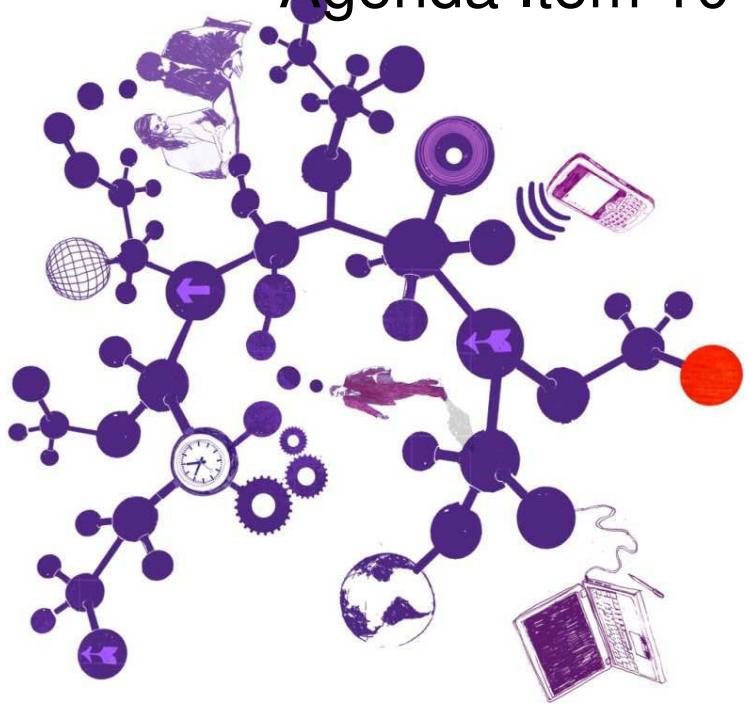


Corporate Committee Update

Year ended 31 March 2015
November 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Corporate Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Corporate Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at 17 November 2014

Work	Comments
<p>2013/14 Audit Certificate</p>	<p>We gave an unqualified opinion on the Council's financial Statements on 29 September 2014 in advance of the 30 September deadline. We were not able to certify the 2013/14 audit as complete due to two objections raised on the accounts by local authority electors. The Council are in the process of preparing responses to these objections which we will need to review . Once resolved we will be able to issue the audit certificate and close the 2013/14 audit. We will update the Committee on progress at the next meeting.</p>
<p>Audit Planning - 2014/15 financial year</p>	<p>Following the completion of the 2013/14 audit, we are now working with the Council to prepare for the 2014/15 audit. We will continue to work with the Finance team throughout the year to continuing to build on the significant improvements to the accounts compilation and audit processes in the past two years.</p> <p>Our initial planning visit for the 2014/15 audit is scheduled for February 2015. As part of this visit we will be updating our understanding of key financial systems through discussions with officers and testing controls in these areas.</p> <p>As part of our wider audit planning we are meeting with officers to ensure our work is focused on the key risks facing the Council in respect of its financial statements audit and Value for Money conclusion.</p>
<p>Grant certification work – 2013/14 financial year</p>	<p>We have completed the certification work for one of the three claims required. The Pooling of Capital Receipts return was certified without amendments.</p> <p>We are currently in the process of completing the certification of the Teacher's Pensions claim which requires a small amendment.</p> <p>We are also completing work on the Council's Housing Benefit and Council Tax Benefit claim and are on schedule to complete our testing by the 30 November 2014 statutory deadline. Testing of individual benefit awards within the claim has identified some errors which has resulted in additional testing which is currently being completed.</p> <p>We will issue our full certification report on completion of our work.</p>

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Pulling together the Better Care Fund

Grant Thornton

Our national report 'Pulling together the Better Care Fund' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/>

Do local authorities and clinical commissioning groups (CCGs) have effective arrangements to develop joint Better Care Plans for agreement by the health and wellbeing boards (HWBs) and how ready are they for the pooled fund in April 2015?

Our report draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

The National Fraud Initiative

Local government guidance

On 12 June 2014 the Audit Commission released its national report, [The National Fraud Initiative \(NFI\): National Report \(June 2014\)](#) highlighting that its data matching exercise has identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since it last reported in May 2012. The Chairman of the Audit Commission, Jeremy Newman said;

"We publish a report from the NFI every two years and continue to produce great results. The national figure for identified fraud, error and overpayment, that would otherwise be lost to the taxpaying public, is down by £46 million compared to the previous report although the number of cases has increased by nearly 20 per cent. This is great news if, as we believe, it is due to improving detection rates. However, we cannot be complacent. The more participants in the exercise, the richer the data for everyone involved and the harder it is for fraudsters to hide from detection".

The Audit Commission's National Fraud Initiative will move to the Cabinet Office in April 2015 to secure the continuation of the counter fraud data matching initiative which over its 18 year history has identified over £1.17 billion in fraud, error and overpayment .



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Haringey Council

Report for:	Corporate Committee 27 November 2014	Item number	
Title:	Internal Audit Progress Report – 2014/15 Quarter 2		
Report authorised by :	Assistant Director of Corporate Governance		
Lead Officer:	Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: anne.woods@haringey.gov.uk		
Ward(s) affected: ALL	Report for: Information		

1. Describe the issue under consideration

- 1.1 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.
- 1.2 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 2014/15 annual audit plan, together with the responsive and pro-active fraud investigation work. Where further action is required or recommended, this is highlighted in the report and appendices and appropriate recommendations for the Corporate Committee.

2. Cabinet Member Introduction

- 2.1 Not applicable

3. Recommendations

- 3.1 The Corporate Committee is recommended to note the audit coverage and counter-fraud work completed; and the actions taken during the quarter to ensure audit recommendations are implemented and address the outstanding recommendations during the second quarter, 2014/15.

4. Other options considered



Haringey Council

4.1 Not applicable.

5. Background information

5.1 The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council. This report looks at the work undertaken in the quarter ending 30 September 2014 and focuses on:

- Progress by Mazars on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised;
- Progress in implementing outstanding internal audit recommendations with particular attention given to priority 1 recommendations; and
- Details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities.

5.2 The information in this report has been compiled from information held within Audit & Risk Management and from records held by Mazars.

6. Comments of the Chief Financial Officer and Financial Implications

6.1 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 from 1 April 2012, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

6.2 The financial benefits to the Council of the work completed during 2014/15 as part of the ongoing tenancy fraud project, including the amnesty project, will be realised as properties are recovered and returned to the Council's portfolio. The Audit Commission estimate that the costs of fraudulent tenancies and unauthorised sub-letting equate to £18k per annum per property, mainly relating to additional costs for temporary accommodation.

6.3 Preventing fraudulent Right to Buy applications ensures that properties are retained within the social housing stock and discounts of up to £100k per property are not allocated to those who are not entitled to receive them.

7. Comments of the Assistant Director, Corporate Governance and Legal Implications

7.1 The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and has no comments.

8. Equalities and Community Cohesion Comments

8.1 This report deals with how risks to service delivery are managed across all areas of the Council, which have an impact on various parts of the community. The report also contains details of how fraud investigation work is undertaken and pro-active fraud projects are managed. Improvements in managing risks and controls and reducing and preventing the opportunity for



Haringey Council

fraud will therefore improve services the Council provides to all sections of the community.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 There are no direct implications for the Council's existing policies, priorities and strategies. However, improving controls and reducing the opportunity for fraud to take place in the first place, and taking appropriate pro-active action to detect and investigate identified fraud will assist the Council to use its available resources more effectively.

11. Use of Appendices

11.1 Appendix A – Mazars Progress report – Internal audit
Appendix B – In-house Team – investigations into financial irregularities

12. Performance Management Information

12.1 Although there are no national or Best Value Performance Indicators, key 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

Ref.	Performance Indicator	2nd Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	97%	40%	95%
2	Priority 1 recommendations implemented at follow up	100%	100%	95%
3	Benefit fraud cases completed and accepted for prosecution	8	14	20
4	Tenancy fraud – properties recovered	4 (plus 2 via RTB)	7 (plus 2 via RTB)	50
5	Right to Buy – fraudulent applications prevented	64	67	10

13. Internal Audit work – Mazars

13.1 The activity of Mazars for the second quarter of 2014/15 to date is detailed at Appendix A. Mazars planned to deliver 212 days of the 2014/15 annual audit plan (850 days) during the quarter and actually delivered 207 days audit work during the quarter. A lower percentage of the annual audit plan was programmed for quarter two to take account of the summer holiday period, but the annual target is expected to be achieved. Ongoing monthly contract monitoring reviews ensure that performance levels are kept under review.



Haringey Council

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

13.3 Appendix A also provides detailed summaries of all recommendations which were previously recorded as outstanding at the time of the follow up audit work. Members have been monitoring the progress and implementation of these to ensure that managers were taking appropriate action to address all outstanding recommendations. Internal Audit will continue to monitor implementation of recommendations to ensure appropriate actions are taken to mitigate identified risks.

13.4 A summary of follow up audits for 2013/14 work which have been undertaken to date is also included at Appendix A. We have followed up on 31 recommendations and found that 26 have been implemented; two are no longer applicable; two are in progress; and one has not been implemented. No Priority 1 recommendations remain outstanding. Overall, a compliance rate of 90% has been achieved for the quarter. We will continue to monitor all outstanding recommendations to ensure compliance.

14. In-house Counter-Fraud Team: Fraud investigation/Pro-active work

14.1 Internal employee investigations

In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees. Appendix B details the individual cases that were completed by the team in the second quarter 2014/15 relating to Council employees. The listing at Appendix B also includes any referrals made using the Council's whistle blowing policy which were investigated by the team. During the second quarter, one staff-related whistle blowing referral was made.

Within the second quarter, ten new cases relating to permanent and temporary employees were referred to the Fraud Team. Eight cases were completed during the quarter involving Council employees. The Fraud Team work closely with officers from HR and the service area involved to ensure that the investigation is completed as quickly as possible.

14.2 Tenancy Fraud – council properties

The Fraud Team works with Homes for Haringey and the Strategic and Community Housing Service to target and investigate housing and tenancy fraud. The Audit Commission estimate that each fraudulent tenancy costs councils an estimated £18k in temporary accommodation and other associated costs.



Haringey Council

As at 30 September, 40 new referrals of suspected tenancy fraud have been received by the team. The secondment agreements for both of the two temporary staff have been extended for a further six months to assist with the recovery of tenancies from these referrals and also to assist with investigations into potentially fraudulent Right to Buy applications. The secondments are being funded by the DCLG grant.

In addition to the two properties recovered in the first quarter, there are a further eight cases where there is an expectation of the return of keys to recover the properties, through Court Hearings, or the refusal of succession/ grant of tenancy applications. Table 2 below summarises the source of suspected fraud referrals and the outcomes achieved/cases closed in the first quarter:

Table 2

Carried forward 2013/14		67
Referrals received from:		
Tenancy Management Officer	41	
Fraudcall	19	
Public	4	
Joint investigation with HB Fraud	1	
Other LA	2	
Member	2	
Haringey Staff	2	
		71
Sub-Total		138
Outcomes 2014/15		
Properties Recovered	7	
Succession of Tenancy refused	5	
Total recovered/refused	12	
No Fraud identified	72	84
Ongoing Investigations c/f		54

Haringey Properties - 54 ongoing investigations

19 of the 54 cases (33%) are now showing the status "Unauthorised Accounts" on the Housing database. This represents those cases that have been investigated, tenancy fraud has been proven, with the consequence that the tenancy is terminated against the named tenant, to avoid rent payments being made and an implied tenancy being created; and are now pending either the:

- (i) Serving, or expiry of Notice to Quit,
- (ii) Court Hearing date,
- (iii) Eviction date, or
- (iv) Offer of smaller accommodation, in instances where a succession cannot be awarded to a property too large for the intended successor's needs.

These cases will be added to the 'properties recovered' numbers when keys are returned.



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Members previously asked for information about investigation times in respect of tenancy fraud cases. These will vary considerably depending on the nature of the referral and the willingness of the tenant, sub tenant, or succession applicant to engage in the process when fraud has been identified.

The Corporate Anti-Fraud Team (CAFT) has an internal target of 8 weeks from receipt of the initial information, to investigate a referral and make a recommendation to Homes for Haringey on the outcome of the investigation. In Quarters 1 and 2 of 2014/15, 55 cases were opened by CAFT and 29 were closed; with an average investigation time by CAFT of 6 weeks. This includes some cases where there was no fraud proven.

In cases where tenancy fraud is proven, following CAFT investigation, HfH will begin proceedings outlined above. However, the time taken to complete the process and recover the property will depend on a number of variables. The following are examples of closed and ongoing cases which demonstrate the issues in recovering properties which are identified as fraudulently sub-let or occupied:

- (i) CAFT received a referral on 12 August 2014 about a potential sub-let in a Council tenancy. Following an investigation the sub tenants vacated and the tenant signed a Tenancy Termination Form and returned the keys on 12 September 2014.
- (ii) CAFT received a referral of alleged subletting on 17 August 2011 at a Council property; which subsequently extended to three Council properties and one in the ownership of a Registered Provider in the Borough. The investigation included identifying Housing Benefit fraud against 4 separate properties, for which a joint investigation with the DWP is ongoing. The investigation also identified fraud against the Council in regard to Blue Badge use and CAFT were also able to prevent an offer of Sheltered Housing being made to a family member. The case is subject to prosecution with the aim of recovering three properties, and the prosecution of 4 members of one family for tenancy fraud, recovery of overpaid Housing Benefit, and proceeds of crime. To 30 September 2014 this case has been 'open' for 783 days
- (iii) CAFT received a succession claim for further investigation on 6 October 2014. Following initial investigation, on 9 October 2014, the succession claimant agreed to relinquish a 4 bed house and accept an offer of a 1 bedroom flat.
- (iv) A succession case was referred to CAFT on 19 September 2012. There is no right to succeed as there has already been one succession (from the former tenant to his wife upon his death) at this property. The CAFT investigation has concluded that the succession applicants have no right to succeed, but also they have failed to establish residency at the property. The applicants have taken their case to the Local Government Ombudsman and additionally took out legal proceedings, which were heard in Court on 6 November 2014, with a judgement in favour of the Council granting a possession order for the property and the Council will follow standard



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processes to obtain a warrant to execute the possession order. The applicants also submitted judicial review proceedings on 4 November 2014, which will be considered by the High Court in due course. The Council considers that the judicial review has been submitted out of time, but the process still has to be followed. To 30 September 2014, this case has been 'open' for 386 days.

- (v) In some cases the identified fraud may be perpetrated simultaneously in another local authority. In these cases a joint investigation will be carried out and a decision will be taken as to who will 'lead' the investigation. In one such case, Haringey have been working with a local authority in Essex, who took the lead as the case involved an employee of their Council. The case was initially identified through National Fraud Initiative on 23 June 2011 and was heard in Court, in Essex, on 13 October 2014.

14.3 Tenancy Fraud - Registered Provider properties

The section also works closely with the Council's key Registered Providers to target and investigate housing and tenancy fraud with their staff. As at 30 September 2014, 14 new referrals of suspected tenancy fraud have been received. Table 3 below summarises the source of suspected fraud referrals and the outcomes achieved/cases closed in the first quarter:

Table 3

Carried forward 2013/14		51
Referrals received		14
Total		65
Outcomes 2014/15		
Properties Recovered	2	
Succession of Tenancy refused	0	
Total recovered/refused	2	
No Fraud identified	2	4
Ongoing Investigations c/f		61

14.4 Right-to-buy (RTB) applications

To date, 282 applications have been referred to the Fraud Team in 2014/15. The team reviews every RTB application to ensure that any property where potential benefit or succession fraud is indicated can be investigated further. In 2014/15 to date, the team has cleared/allowed to progress 85 applications; 64 applications have been withdrawn following the applicants' interview with the Fraud Team and/or the requirement to complete money laundering processes; 21 applications are currently under investigation; 69 are awaiting return of further information from the applicant or other organisations; and 43 applications are considered to be fraudulent and are being progressed with the individual applicants.

We are working with housing services, banks and financial institutions to identify potential fraudulent applications and work will continue during 2014/15.



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14.5 Housing Benefit Fraud Investigation

During the second quarter, the Fraud team completed investigations on eight benefit fraud cases and submitted these for prosecution at crown court via Legal Services and the DWP. There are also five cases with outstanding warrants which the team chase up on a regular basis.

Seven cases were successfully prosecuted in court. The total overpayment value of the cases concluded is £308k, and £15k has been recovered, with most recovery processes instigated via ongoing benefit entitlement. The team has an annual target of 20 prosecution cases for 2014/15, and this target is expected to be achieved.

14.6 Tenancy fraud – key amnesty

The tenancy fraud amnesty went live on 14 October 2014. There are news and information articles on the Council and HfH websites and there will be further articles in Haringey People Extra and on social media. We will be continuing to work with customer services and frontline managers to manage any keys returned and have reporting processes in place to capture the numbers involved. The amnesty is due to run to 20 December.

**Internal Audit
Quarter 2 Internal Audit Report
2014/15
London Borough of Haringey**

Mazars Public Sector Internal Audit Ltd.
October 2014

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Executive Summary

Introduction

This is our second quarter report to the Corporate Committee for the 2014/15 financial year including details of all reports which are now at final stage. The report provides information on those areas which have achieved full or substantial assurance and gives an indication of the direction of travel for key systems work which will provide Members with information on how risks are being managed over time. The format of this report is also designed to highlight the key risks facing individual departments and the Council which have been identified during the course of our internal audits. A more detailed summary of the limited assurance audit findings is included for information. The report draws together the summary information which is provided on a monthly basis to Members of the Corporate Committee. Members of the Committee will also be provided with full copies of our audit reports upon request.

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 to the Corporate Committee.

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

- Priority 1* - major issues for the attention of senior management
- Priority 2* - other recommendations for local management action
- Priority 3* - minor matters and/or best practice recommendations

Key Highlights/Summary of Quarter 2 2014/15 – Final Reports issued:

2013/14 Internal Audits finalised in the quarter:

- Section 17 Payments;
- Park Lane Children's Centre;
- Early Years and Child Care Services;
- Accounting and General Ledger;
- Partnership Board – Public Health;
- Youth Services;
- Disaster Recovery and Business Continuity Arrangements – Third Party Providers and Suppliers; and
- Pupil Premium.

2014/15 Internal Audits finalised in the quarter:

- Parking Services – On Street Parking and Enforcement; and
- Procurement – Off Site Storage Contract.

Delivery of 2013/14 Internal Audit Plan

As part of the delivery of the 2013/14 Internal Audit Plan, we have also issued a draft report for the following audit:

- Children remanded into Custody and Care.

Delivery of 2014/15 Internal Audit Plan

As part of the delivery of the 2014/15 Internal Audit Plan, we have also issued draft reports for the following audits:

- Highways Income; and
- Private Sector Leasing and Housing Options.

Follow Up of Prior Years' Recommendations

The results of our follow-up work are as follows:

2012/13

Three recommendations remain outstanding; work is ongoing to address these.

2013/14

To date we have followed up 31 recommendations raised in 2013/14 and the results of our work are as follows:

- Implemented – 26 (84.0 %);
- Partly Implemented – 2 (6.4 %);
- Not Implemented – 1 (3.2 %); and
- Not Applicable – 2 (6.4 %).

Audit Progress and Detailed Summaries

The following table sets out the audits finalised in Quarter 2 of 2014/15 financial year 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 to the Corporate Committee.

Detailed summaries of all audits which do not receive 'Full' or 'Substantial' assurance ratings are also provided for Members' information.

Audit Title	Date of audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
2013/14							
Section 17 Payments	Jan'14	Jul'14	Substantial	N/A	0	3	0
Park Lane Children's Centre	Feb'14	Jul'14	Limited	N/A	1	4	1
Early Years and Child Care Services	Mar'14	Jul'14	Substantial	N/A	0	5	1
Accounting and General Ledger	Feb'14	Aug'14	Substantial	↔	0	2	0
Partnership Board – Public Health	Mar'14	Aug'14	Substantial	N/A	0	6	0
Youth Services	Apr'14	Aug'14	Limited	N/A	2	4	0
Disaster Recovery and Business Continuity Arrangements – Third Party Providers and Suppliers	May'14	Aug'14	Limited	N/A	5	2	0
Pupil Premium	Jul'14	Aug'14	Substantial	N/A	0	2	0
2014/15							
Parking Services – On Street Income and Enforcement	Jun'14	Aug'14	Substantial	⇒	0	1	0
Procurement – Off Site Storage Contract	Jul'14	Aug'14	Limited	N/A	1	6	0

As part of the 2014/15 Internal Audit Plan we have visited the following schools, completed a probity audit and during Quarter 2 issued a final report.

School	Date of Audit	Report Date	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
Mulberry Primary School	Jun'14	09/09/14	Limited	2	8	0
Park View	Jul'14	12/09/14	Substantial	2	8	2
Crowland Primary School	Jun'14	16/09/14	Limited	3	4	2
South Harringay Junior School	Jun'14	16/09/14	Substantial	0	12	5
Chestnuts Primary School	Jun'14	23/09/14	Substantial	1	6	1
St Francis de Sales Catholic Infant & Junior School	May'14	24/09/14	Substantial	1	6	0
Rowland Hill Nursery School	Jul'14	26/09/14	Substantial	1	11	1

As part of the 2014/15 Internal Audit Plan we have also visited the following schools, completed a follow-up of the recommendations raised in 2013/14 and during Quarter 2 issued a formal follow-up report. The results of our follow-up work are summarised in the table below.

School	Assurance Level	Recommendations											
		Category				Implemented				Partly Impl.	Not Impl.	N/A	Priority 1 Recs. Outstanding
		1	2	3	Total	1	2	3	Total				
West Green Primary School	Limited	2	5	0	7	1	2	0	3	2	1	1	1
Blanche Nevile Special School	Limited	5	1	4	10	1	1	1	3	6	0	1	3

DETAILED SUMMARIES:

Audit area	Scope	Status/key findings	Assurance
PROCUREMENT AUDITS			
<p>Procurement – Off Site Storage Contract 2014/15</p>	<p>Audit work was undertaken to cover the following areas:</p> <ul style="list-style-type: none"> • Compliance; • Contract management; • Performance; • Payments; and • Management of stored records. 	<p>Weaknesses in the system of internal controls are such as to put the client’s objectives at risk. The key findings are as follows:</p> <ul style="list-style-type: none"> • Guidance on the use of off site storage has been produced and is available on the intranet. • A pro forma requisition has been developed for services to use when raising requisitions. • It is planned that quarterly Contract Meetings will be held with Stor-A-File Ltd, although the meeting for the first quarter has yet to be arranged. • While the Contract Manager is identified as the FM Services Manager, this post is at present covered by an Interim Manager and clarification regarding the permanent appointment of a FM Services Manager or where responsibility for the contract will lie has not yet been determined. • Service requests for document storage are received into the dedicated Facilities Management Support Inbox. • Facilities Management receive the request and log the request on the Stor-A-File Ltd website. • Once the request has been committed on the website, an order is raised and a copy of the order produced. • It is noted that orders for document storage and retrieval by Legal Services are managed by the Legal Services Administration Team. • On a monthly basis Stor-A-File Ltd raise one consolidated invoice for all orders raised and completed during the month. • At present, Facilities Management receives the Stor-A-File Ltd monthly invoice and agrees without further checking. It was noted that the order reference as per the invoice could not be agreed to that as per the orders. 	<p>Limited</p>

Audit area	Scope	Status/key findings	Assurance
		<ul style="list-style-type: none"> • Examination of the May 2014 monthly invoice identified five instances where the rate charged could not be matched to the Schedule of Rate item. • Individual team managers are required to maintain an Information Asset Register, recording all documents sent to the document store. However, it could not be confirmed that Team Managers are maintaining such registers. • Guidance on the maintenance of the Information Asset Register has been produced and is available on the intranet. • It was stated that Stor-A-File issue periodic reports of documents due for destruction to obtain confirmation that such documents can be destroyed. It could not be confirmed who receives these reports, or whether they are referred back to individual services to review and issue a destruction confirmation. • Guidance on document retention times has been made available through the Local Government Association (LGA) website. • Stor-A-File Ltd is required to submit on an annual basis a monitoring report for review at an Annual Review Meeting. As the contract has only just commenced, a report is not yet due. <p>As a result of our audit work we have raised one Priority 1 recommendation and six Priority 2 recommendations, which should assist in improving the control environment.</p> <p>The Priority 1 recommendation is as follows:</p> <ul style="list-style-type: none"> • On receipt of the monthly invoice, the detail of the jobs for which payment is requested should be agreed to those orders as raised by the Council. The Council should liaise with Stor-A-File to ensure that order reference quoted on the monthly invoice can be tracked to an order raised by the Council. <p>The Priority 2 recommendations are as follows:</p> <ul style="list-style-type: none"> • Responsibility for managing the off site storage contract and the management of all client service user issues, invoicing, and contractor liaison should be clearly determined, documented, and communicated. 	

Audit area	Scope	Status/key findings	Assurance
		<ul style="list-style-type: none"> • The initial contract meeting due to be held in July 2014 should be booked and all relevant parties notified. At this meeting, a schedule of further meetings should be agreed in line with the contract requirements. • Accountability for issuing and retaining Client Service User forms should be assigned to a responsible officer. Additionally, Actions taken as a result should be documented and retained for future reference. • Upon review of the monthly Consolidated Invoice, the rates charged should be checked and agreed to the Schedule of Rates prior to approval of the invoice for payment. • Facilities Management should develop a process for the management of the disposal of documents, which should include, but not be limited to, the following: <ul style="list-style-type: none"> ○ Receipt of reports from Stor-A-File listing documents due for disposal; ○ Referral to original services to issue an instruction to dispose of the document (or retain if necessary); ○ Issue of formal service instruction to dispose to Stor-A-File; and ○ Receipt of certificate confirming secure disposal from Stor-A-File. <p>All staff involved in the process should be provided training in the receipt, processing, and issue of documents.</p> • Team Managers across the Council should be formally reminded of the requirement to maintain a register of documents, detailing documents in storage, accountability, date sent to storage, destruction dates, and documents retrieved. The register should be kept up-to-date. 	

Audit area	Scope	Status/key findings	Assurance
CHILDREN'S SERVICE			
<p>Park Lane Children's Centre 2013/14</p>	<p>Audit work was undertaken to cover the following areas:</p> <ul style="list-style-type: none"> • Management organisation; • Improvement Plan and OFSTED Inspections; • Budget Setting and Budget Monitory and Control; • Staffing; • Disbursement accounting records; • Asset management; • Centre fund – accounting; • Fee income; • Data Protection and Security; • Health & Safety; and • External providers. 	<p>Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The key findings are as follows:</p> <ul style="list-style-type: none"> • A Cluster 3 Advisory Board is in place which comprises the Head of Centre and parent representatives. • Although draft Terms of Reference were produced in 2012, these have not been formally approved for use by the Centre and Cluster. • Examination of minutes of the Advisory Board meetings held since January 2013 established that they were not signed off as correct by the Chair, although the minutes of each meeting were agreed at the start of the next meeting. • A service level agreement (SLA), including performance targets has not been developed for the Centre. We were informed that the Council manages the Centre; therefore an agreement is not required. • The Park Lane Development Plan for 2013/14 has been approved and has been signed off by the Local Authority representative. • The monthly payroll is completed by the Local Authority (LA) and reports uploaded to SAP. This is reviewed and agreed monthly by the Finance Officer and confirmed to the LA. • An asset register is held by the Centre, identifying serial number, item description such as make and model, supplier, owner, location, and cost. Testing established some assets without serial numbers recorded on the inventory. • IT assets within the Centre that were examined were confirmed to be security marked with a Haringey security label. • The Centre does not maintain an Unofficial Fund. • Fees charged by the Centre were approved by the LA in September 2012. • The Centre has recently implemented a 'cashless' system and no longer accepts payment in cash from parents. 	<p>Limited</p>

Audit area	Scope	Status/key findings	Assurance
		<p>The allocation of resources to Children’s Centres for the provision of childcare is governed by a funding formula used by the Local Authority. The second of two reports forming the <i>Review of Children’s Centres and Attached Childcare</i>, issued by external consultants CordisBright in June 2013, concluded that the funding formula should be revised to reflect specific issues, including:</p> <ul style="list-style-type: none"> • Understanding whether all or specific Children’s Centres are exceeding their projected costs; • Understanding whether the current over-spend is principally the result of a lack of take-up of fee paying childcare; • Highlighting whether the current over-spend is connected to the delivery of all childcare or to the delivery of specific elements or age-ranges (e.g. two year old programme, targeted places, special educational need places); and • Taking account of whether the over-spend is the result of issues connected to the delivery of the three and four year old free entitlement which are being passed on to a different cost centre. <p>At the end of February 2014 the Centre reported an over-spend of £109,988. Budget monitoring meetings are held each month for the Centre to discuss the reasons for any over-spend and where relevant, the actions required to manage the over-spend.</p> <p>The Centre does not have a delegated budget and is run by the Local Authority. The external consultants’ report highlighted the need for the funding formula used by the LA to be revised to help address the over-spending issue. The budget recovery measure rests with the Early Years Department and therefore the Head of Early Years. As individual centres cannot decide on restructures or changes to the funding formula, a recommendation has not been raised in this area. However, the Local Authority should take appropriate actions regarding the revision of the funding formula for the allocation of resources to Children’s Centres.</p> <p>As a result of our audit work we have raised one Priority 1 recommendation, four Priority 2 recommendations and one Priority 3 recommendation, which should assist in improving the control environment.</p>	

Audit area	Scope	Status/key findings	Assurance
		<p>The Priority 1 recommendation is as follows:</p> <ul style="list-style-type: none"> • The Centre should liaise with the LA and obtain details of completed DBS checks for all staff. Thereafter, the Centre should maintain an up-to-date central record of the completed DBS check and to monitor the renewal dates of all staff. <p>The Priority 2 recommendations are as follows:</p> <ul style="list-style-type: none"> • The Children Centre should liaise with the Cluster 3 Advisory Board to ensure that the Terms of Reference for the Board are approved and circulated as soon as possible and that minutes of Board meetings are signed off as agreed. The Children Centre should also ensure that it complies with the ToR, including sending the required number of representatives at meetings. • Minutes should be prepared for all budget meetings, signed by the Chair of the meetings, and circulated to all relevant officers. Where agreed actions are required to be completed, the minutes should record the responsible officer and deadline. • Responsible officers who are involved in the procurement of goods and services on behalf of the Centre should be formally reminded of the requirements of the Schools Financial Manual. Furthermore, invoices for all purchases and payments should be attached to the relevant purchase order and retained. • Individual accounts should be regularly monitored and actions taken to chase up all arrears. Also, where debt levels are increasing, management should take corrective action to prevent high levels of debts by parents. <p>The Priority 3 recommendation is as follows:</p> <ul style="list-style-type: none"> • The Head of Centre should review the access level to the inventory records and ensure that access right is reduced only to essential users. Furthermore, where relevant, all items on the inventory should be updated with all required details as follows: <ul style="list-style-type: none"> ○ Make; ○ Model; ○ Cost (where relevant); and ○ Serial number. 	

Audit area	Scope	Status/key findings	Assurance
<p>Youth Services 2013/14</p>	<p>Audit work was undertaken to cover the following areas:</p> <ul style="list-style-type: none"> • Governance; • Compliance with statutory and local requirements; • Information management and data sharing arrangements; • Budget monitoring; and • Monitoring and reporting review. 	<p>Weaknesses in the system of internal controls are such as to put the client’s objectives at risk. The key findings are as follows:</p> <ul style="list-style-type: none"> • The Youth Services Strategy covering 2014-17 and the Commissioning Plan had not been yet been drafted at the time of the audit; • The Service uses a Consultant who receives regular newsletters by emails to help ensure that work practices are in line with current legislation; • Examination of procedures for the benefit of staff, including On-site Risk Assessment, found that these are current and have been made accessible to staff; • The budget performance for the Service is monitored on a monthly basis; • There is a process in place for invoices from third parties to be checked prior to payment; • A Youth Commissioning Group was set up in March 2014 and although its terms of reference refer to the frequency of meetings, no mention is made of performance monitoring and measurement of outcome; • A Haringey Youth Council has been set up to represent the views of young people in Haringey and provides a voice for young people aged 8-19 years (or up to 25 with a disability); • The contract between the Council and its data manager, Career Vision Limited, covering the client caseload information system, was not signed and dated; • Upon request at the time of the audit, the minutes of the last three monthly meetings held between the Council and Career Vision Limited were not available; • The list of staff with different levels of access to the Youth Services database is not reviewed periodically; and • Examination of the January and February 2014 Senior Leadership Team (SLT) meeting minutes identified that the Key Risk and Performance sections were not discussed in sufficient detail to subsequently enable the development of an 	<p>Limited</p>

Audit area	Scope	Status/key findings	Assurance
		<p>action plan, with responsibilities and deadlines, where issues are identified.</p> <p>As a result of our audit work we have raised two Priority 1 and four Priority 2 recommendations, which should assist in improving the control environment.</p> <p>The Priority 1 recommendations are as follows:</p> <ul style="list-style-type: none"> • A formal timetable should be set for the drafting, reviewing, finalisation and approval of the Youth Services Strategy and Commissioning Plan. This should be done as a matter of urgency to allow for prompt implementation. Following approval at the appropriate level, the documents should be communicated to all relevant officers and made available on the intranet, where appropriate. • Management should ensure, as a matter of urgency, that there is a signed contract in place between the Council and Career Vision Limited and that this is accessible to all relevant officers, including those within Youth Services, to assist with performance monitoring. <p>The Priority 2 recommendation is as follows:</p> <ul style="list-style-type: none"> • The Terms of Reference for the Youth Commissioning Group should be should be revised to allow for transparency in the aims and objectives of the Group and the measure of performance, including monitoring, against which the achievement of outcome are to be assessed. It is recommended that performance is monitored at least once every quarter. • Management should ensure that signed minutes are kept of all meetings with Career Vision Limited and that these are communicated to all relevant officers. A process should be in place for following up on all required actions until these are completed. • The list of staff who have access to the Youth Services database should be periodically reviewed by senior management to ensure that all access levels are appropriate and are consistent with individual job responsibilities. • Management should ensure that the key risks and performance 	

Audit area	Scope	Status/key findings	Assurance
		<p>sections of the SLT meeting minutes are sufficiently detailed to assist with the identification and resolution of performance and other issues. Where issues are identified, action plans, including responsible officers and deadlines, should be put in place and monitored until completion.</p>	
PUBLIC HEALTH			
<p>Disaster Recovery & Business Continuity Arrangements – Third Party Providers and Suppliers 2013/14</p>	<p>Audit work was undertaken to cover the following areas:</p> <ul style="list-style-type: none"> • Identification of Critical Outsourced Services; • Development of Supplier Disaster Recovery and Business Continuity Plans; • Testing of Supplier Disaster Recovery and Business Continuity Plans; and • Monitoring and Reporting Arrangements. 	<p>Weaknesses in the system of internal controls are such as to put the client’s objectives at risk. The key findings are as follows:</p> <ul style="list-style-type: none"> • Business Continuity Plans were submitted for all services to the Emergency Planning & Business Continuity Manager for the April 2013 submission date. • Examination of the BCPs for the services on the Adult Housing Services (AHS) critical supplier list established that BCPs were completed for each service in April 2013 and were submitted to the Emergency Planning & Business Continuity Manager. Examination of each of the BCPs established that Section 2 – ‘Critical activities’ was correctly completed with the exception of Adults Commissioning, where the services provided were not included and Community Alarm Service where no information was recorded. However, this was correctly completed as part of the October 2013 BCP review. As this was the findings at the time of the audit fieldwork, a recommendation has been raised. • BCPs were not provided for the critical suppliers within Children and Young People's Service for examination; therefore a Nil Assurance is provided in this area. • Examination of supplier BCPs/DRPs for AHS at the time of the audit fieldwork confirmed the following: <ul style="list-style-type: none"> ➢ There was no BCP/DRP for SECOM; ➢ There was no BCP for Corelogic but a DRP was submitted; ➢ Northgate OHMS is covered under the Council's IT Services and therefore BCP/DRP not was not reviewed; ➢ BCP/DRP was not submitted for SPOCC. We were informed that the cost far outweighed the benefits to the 	Limited

Audit area	Scope	Status/key findings	Assurance
		<p>service so it was decided not to ask the provider to provide any plans;</p> <ul style="list-style-type: none"> ➤ BCP/DRP was not provided for Chemistree, Abbott Nutrition, and Air Products in relation to services provided to Osborne Grove Nursing Home; ➤ No BCP/DRP was provided for Greenhams for services provided to the Community Reablement Service; and ➤ No BCP/DRP was provided for Chemistree for services provided to Linden Road Care Home. <ul style="list-style-type: none"> • Through discussion with the Head of Adult and Voluntary Sector Commissioning, it was established that third party suppliers are required to update their BCPs/DRPs at least annually and submit these to the relevant service within the Directorate. However, it was not evident that the BCP/DRP for Tunstall Response, who is the critical supplier for the Community Alarms Service, was up-to-date as the date of creation/review was not stated on the document. • For the Adult Commissioning providers, examination of the BCPs/DRPs received revealed that the BCPs for Ashness Care and Sevacare (UK) Ltd were up-to-date (dated 2013 and October 2013 respectively). However, it was not evident whether the BCPs/DRPs for DRS Care Homes Ltd and Priscilla Wakefield House were up-to-date as the date of creation/review was not recorded on the documents. Furthermore, the BCP/DRP for London Care Plc was last issued in July 2009. It was also not evident whether suppliers were monitored to ensure that BCPs and DRPs were up-to-date and submitted in a timely manner. • Discussion with the Head of Adult & Voluntary Sector Commissioning established that the requirement for suppliers to develop and submit BCPs/DRPs annually to the Council is embedded within all supplier contracts. However, a copy of the contracts was not provided for examination at the time of the audit; therefore, we were unable to this was a contractual requirement. 	

Audit area	Scope	Status/key findings	Assurance
		<ul style="list-style-type: none"> • Although we were informed that monitoring is undertaken to ensure that regular testing of suppliers' BCPs/DRPs is completed and action plans to address any issues are developed, there was no documentary evidence (i.e. an action plan) maintained to confirm that testing actually took place. • There was no evidence at the time of the audit fieldwork of any central monitoring of individual services' management of third party suppliers' BCPs/DRPs. • Although the briefing for the Risk & Emergency Planning Steering Group (REPSG) meeting dated 31 July 2013 confirmed that critical and non-critical suppliers identified by services were reported to the Group, there was no evidence to confirm that issues identified by services as a result of the management of suppliers' BCPs/DRPs were reported. <p>As a result of our audit work we have raised five Priority 1 and two Priority 2 recommendations, which should assist in improving the control environment</p> <p>The Priority 1 recommendations are as follows:</p> <ul style="list-style-type: none"> • A formal reminder should be sent to all officers with Business Continuity Planning responsibility at Service level, reinforcing the requirement to correctly and fully identify and document their critical activities and the corresponding third party providers and suppliers when completing Section 2 – ‘Critical activities’ and S6 – ‘Supply Chain Resilience’ of the BCPs. Consideration should be given to providing detailed guidance or training to the relevant officers to assist with the correct completion of individual BCPs. • A formal process should be developed and implemented for monitoring the submission of BCPs/DRPs for all identified critical services by the relevant third party service providers. Where a plan is not received, follow-up action should be taken and should this prove unsuccessful, the issue should be escalated and dealt with in accordance with the agreed contract terms and conditions. This formal process, once approved, should be communicated to all relevant officers within 	

Audit area	Scope	Status/key findings	Assurance
		<p>individual services across the Council.</p> <ul style="list-style-type: none"> • Documentary evidence of all BCP/DRP testing completed by third party providers, together with action plans to address any major issues, should be retained by individual services. It should be noted that all plans have to be tested at least annually and action plans should be monitored until all required actions have been completed in full. • A process should be implemented, subject to senior management approval, for the Head of Emergency Planning and Business Continuity to monitor individual services' management of third party providers' and suppliers' BCPs/DRPs in order to ensure that the overall objectives of the Council are met. The process can take the form of periodic sample checking of individual services. Appropriate corrective action should be taken where a service is found not to be managing the third party providers' plans effectively. • Management of third party suppliers' business continuity and disaster recovery plans should be reported, including the identification and resolution of any major issues relating to the plans or testing, to help support effective management decision making. <p>The Priority 2 recommendation is as follows:</p> <ul style="list-style-type: none"> • Formal arrangements should be established to ensure that BCPs/DRPs submitted by third party providers are up-to-date (at least annually) and include version control and review date. Where plans submitted are outdated, the supplier should be informed accordingly and a deadline agreed for submission of the updated version. • A copy of the current contract with third party providers for critical activities or supplies should be retained at all times. All contracts should be reviewed to ensure that the requirement for business continuity and disaster recovery arrangements is embedded therein and that the supplier provides updated BCPs/DRPs. 	

Detailed Progress Report – Outstanding Recommendations 2012/13

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
KEY FINANCIAL SYSTEMS				
Accounting & General Ledger				
1	<p>Procedure notes should be reviewed and updated on a regularly basis and version control should be introduced to evidence the review.</p> <p>Upon review of the procedures, specifically the SAP Procedure Notes, these should be updated to reflect the requirement for approval of journals over £50,000.</p>	2	December 2013	<p>Internal Audit findings April 2014</p> <p>There are 23 policies, as well as Haringey Core Systems Team Procedures on the intranet. The date of creation or last review of the procedures ranged from 26 November 2002 through to 24 November 2004, which indicates that procedures are not all subject to periodic review and update, where necessary.</p> <p>Management Response August 2014:</p> <p>Agreed – these will be reviewed over the course of the ONESAP implementation phase to reflect any changes in business processes arising from that project.</p> <p><i>Responsible Officer: Financial Systems Team Manager</i></p> <p><i>Deadline: January 2015</i></p>
Strategic Financial Management & Budgetary Control				
2	<p>Budget guidance for the setting and monitoring the 2015/16 budget should be developed, and once produced, published on the intranet and circulated to all managers.</p> <p>The budget guidance produced should include the following:</p> <ul style="list-style-type: none"> • The requirement that individual budgets are agreed by the relevant manager; • Guidance as to the level of materiality of budget variances to be investigated; and 	2	March 2013	<p>Internal Audit findings April 2014</p> <p>While budget preparation guidance has been produced and is available on the intranet, examination established that it relates to the 2011/12 budget.</p> <p>There was no guidance produced for setting and monitoring the 2013/14 budget; hence the inclusion of guidance on recording comments within SAP and materiality of budget variances, as previously recommended, has not been addressed.</p> <p>Management Response April 2014:</p> <p>Revised budget management arrangements are being reviewed and, where necessary, revised as part of the ONESAP project including</p>

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
	<ul style="list-style-type: none"> Guidance as to the requirement to record meaningful budget comments within SAP. 			for the setting and monitoring of budgets. <i>Responsible Officer: Head of Finance BAS</i> <i>Deadline: November 2014</i>
Payroll				
3	Policies and procedures should be reviewed periodically to reflect changes in processes and local policy, as well as, any changes in current legislation. The date of the last review should be recorded on all documents, even where changes are made.	2	Ongoing	<i>Internal Audit findings May 2014:</i> Procedures are still not reviewed and updated. <i>Management Response May 2014:</i> Agreed. The complete HR process is currently under review and one of the outcomes will include having up to date procedural guides. <i>Responsible Officer: Pay Control Manager</i> <i>Deadline: March 2015</i>

Follow Up Table – 2013/14 Audit Work

AUDIT AREA	Assurance Level	Recommendations												Priority 1 Recs. Outstanding
		Category				Implemented								
		1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due	
Key Financial Systems														
Accounts Receivable	Substantial	0	1	1	2	0	1	1	2	0	0	0	0	0
Procurement Audits														
Temporary Accommodation	Substantial	0	2	0	2	0	2	0	2	0	0	0	0	0
Corporate Purchase Cards	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0
IT Audits														
Framework-I Application	Substantial	0	1	3	4	0	1	3	4	0	0	0	0	0
Children's Service														
14-19 Provision	Limited	4	4	0	8	4	3	0	7	0	0	1	0	0
Adult Social Services														
Residential and Community Care Charges	Substantial	0	2	1	3	0	1	1	2	0	1	0	0	0
Pan-London (Major) Equipment Service	Substantial	1	2	0	3	1	0	0	1	1	0	1	0	0
Pan-London (Minor) Equipment Service	Substantial	0	3	0	3	0	2	0	2	1	0	0	0	0
Customer Services														
Social Fund	Substantial	0	0	3	3	0	0	3	3	0	0	0	0	0
Policy and Business Management														
Data Quality	Substantial	0	1	1	2	0	1	1	2	0	0	0	0	0
Total		5	17	9	31	5	12	9	26	2	1	2	0	0

Implemented – officers has indicated through self-certification the progress of recommendations. We have verified a sample of responses.

N/A – the recommendation is no longer applicable due to changes in the system, or alternative action has been taken to address the risk.

Not implemented – the recommendation has not been addressed, alternative action has not been taken.

In Progress – officers have started implementation of recommendations

Detailed Progress Report – Outstanding Recommendations 2013/14

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
CHILDREN'S SERVICE				
14-19 Provision				
1	The RPA Team structure should be formally agreed and presented to the Project Management Group for review and approval. Evidence of this should be documented in the relevant meeting minutes. <i>Responsibility: 14-19 Development Officer</i>	2	March 2014	Status: Partly Implemented Management update October 2014: The situation is currently the same as the progress report i.e. the Raising the Participation Age (RPA) team is not fully implemented. This is due to ongoing reviews of the post16/RPA/Youth Service space. A review of this area has taken place by the Corporate Development Unit which will inform the resources for this area. It is anticipated that a decision is to be made no later than December. <i>Revised Deadline: December 2014</i>
ADULT SOCIAL SERVICES				
Residential and Community Care Charges				
2	Management should identify the reasons for missing the targets and an action plan should be developed to help financial assessment officers in the achievement of set objectives. In addition, the reasonableness of the targets set should be considered and new ones should be set if the current targets are deemed unachievable. <i>Responsibility: Acting Finance Manager, IMPBS Team</i>	2	31 March 2014	Status: Not Implemented Management Update October 2014: Implementation of this recommendation has been delayed. It is difficult to implement due to system limitations. The current system cannot provide accurate data to confirm how long it takes to complete financial assessments. This will be reviewed when the charging module is moved into Framework-i. <i>Revised Deadline: To be confirmed</i>

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
Pan London (Major) Equipment Service				
3	<p>Management should ensure that a formal Service Level Agreement is put in place, signed by both the Council and the NHS, which details the basis of the agreed recharges to be paid by the NHS. The SLA should clearly identify the type of equipment which is eligible for a recharge.</p> <p><i>Responsibility: Head of Adaptations Service</i></p>	2	31 March 2014	<p>Status: Partly Implemented</p> <p><i>Management update October 2014:</i></p> <p>Copy of the SLA is still with Haringey CCG and there will be an indication by end of October 2014 as to when this is likely to be signed.</p> <p><i>Revised Deadline: To be confirmed at end of October 2014</i></p>

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

October 2014

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IN HOUSE – IRREGULARITIES INVESTIGATED 01/04/14- 30/09/14 & B/F FROM 2013/14

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 30/09/14	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
Environmental Services and Community Safety	Allegation of favouritism in recruitment and allocation of overtime B/F 2013/14	1	0	0		
	Allegation of benefit fraud B/F 2013/14	1	0	0		
	Allegation that employee does not have right to work	1	1	1	Pending	
Children's Services	Allegation of Benefit Fraud B/F 2013/14	1	1	1	Pending	£2,795
	Allegation of favouritism in the awarding of work	1	1	1	Pending	
Housing Services	Allegation of irregular use of Council property	1	1	1	Dismissed	
	Allegation of making irregular declarations in third party homeless application	1	0	0		

IN HOUSE – IRREGULARITIES INVESTIGATED 01/04/14- 30/09/14 & B/F FROM 2013/14

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 30/09/14	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
	Allegation of mismanagement and theft of monies	1	0	0		
	Allegation of working whilst off sick	1	0	0		
Corporate Property and Major Projects	Alleged misuse of telephone	1	1	1	Warning	£448
TOTAL		10	5	5		£3,243



Haringey Council

Report for:	Corporate Committee 27 November 2014	Item number	
Title:	Corporate Risk Register		
Report authorised by :	Assistant Director of Corporate Governance		
Lead Officer:	Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: anne.woods@haringey.gov.uk		
Ward(s) affected: ALL	Report for: Non-Key Decision		

1. Describe the issue under consideration

- 1.1 A copy of the current corporate risk register is provided for review by Members.
- 1.2 The Corporate Committee is responsible for 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 as part of its Terms of Reference. In order to facilitate this, the corporate risk register is provided to members on an annual basis in accordance with established good practice.

2. Cabinet Member Introduction

- 2.1 Not applicable

3. Recommendations

- 3.1 That the Corporate Committee reviews the current version of the corporate risk register and provides comments as appropriate.

4. Other options considered

- 4.1 Not applicable.

5. Background information



Haringey Council

- 5.1 Risk management is included within the Corporate Committee's terms of reference. In order to demonstrate that the terms of reference are fulfilled, the corporate risk register is also presented for review by Members on an annual basis.
- 5.2 The Corporate risk register was last presented to the Corporate Committee for review on 19 September 2013, along with the corporate risk management policy. A review of this policy is currently being undertaken and the revised policy will be presented to a future meeting of the Corporate Committee for approval.

6. Corporate Risk Register

- 6.1 The Council uses an electronic system (Covalent) to record the risks faced by service areas, programmes and at a corporate level in a consistent manner. The output from Covalent is in the form of risk registers.
- 6.2 The corporate risk register is reviewed on a quarterly basis by the Statutory Officers Group who considers that the risks included in the corporate risk register are those areas which present the highest risks to the Council not achieving its objectives. These areas have been assessed as either having a very high impact on the Council if the risk should materialise, or having a high likelihood of the risk occurring in the next 12 months. As a consequence, the Statutory Officers Group will focus on ensuring that the Council has appropriate controls and planned actions in place to manage these risks and will keep the corporate risk register under review on a quarterly basis.
- 6.3 The latest review of the corporate risk register was undertaken at the Statutory Officers Group meeting on 23 September 2014 and this version of the corporate risk register is attached as Appendix 1 to this report.

7. Comments of the Chief Financial Officer and Financial Implications

- 7.1 There are no direct financial implications arising out of this report as the work associated with updating and monitoring the Council's corporate risk register is included within service areas' revenue budgets.
- 7.2 The risks included in the corporate risk register could have significant financial implications for the Council if they were to materialise. Regular review and monitoring of existing and emerging risks helps to mitigate any potential financial implications.

8. Comments of the Assistant Director, Corporate Governance and Legal Implications

- 8.1 The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and has no comments.

9. Equalities and Community Cohesion Comments



Haringey Council

9.1 There are no direct equality or community cohesion implications arising out of this report.

10. Head of Procurement Comments

10.1 Not applicable.

11. Policy Implications

11.1 There are no direct implications for the Council's existing policies, priorities and strategies.

12. Use of Appendices

12.1 Appendix A – corporate risk register, November 2014

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Corporate Risk Register 2014-15


Generated on: 07 November 2014




Haringey Council


Risk Code	Risk Title	Internal Controls	Risk and Control Ownership	Date of last review	Residual Impact	Residual Likelihood	Residual Risk Score	RAG status	Further Action Code	Further Action(s)	Progress (% complete)	Further Action Completion Date
CRR_R001	Failure to enable growth and employment by developing communities where need and opportunity are greatest (Council Priority), including the Tottenham Transformation programme.	Arrangements established within the Council and with partners to ensure that the four priority areas of the Tottenham Strategic Regeneration Framework (agreed by Cabinet March 2014), are delivered, including an annual conference. Governance and programme management arrangements are in place and underpinned by a risk strategy and associated risk registers that identify accountability, which are monitored and reviewed regularly. Reporting arrangements in place: monthly to Programme Delivery Board, to Cabinet and to Joint Strategic Forum. Established a network of stakeholder groups e.g. Landowners Forum with regular communications in place. Work in partnership with other statutory partners to establish their contribution to the	Risk Owner: Director of Regeneration, Planning & Development. Control Owner: Assistant Directors: Regeneration, Planning & Strategy	07-Nov-2014	9	4	36	●	CRR_R001_F002	Complete the Growth Study and agree timescale for Growth paper for Cabinet consideration.	50%	31-Dec-2014
									CRR_R001_F003	Finalise support services arrangements, including financial, engagement, legal, procurement and property services for the programme and the projects	75%	31-Dec-2014


		programme. Cabinet approval obtained in July 2014 for the delivery plan underpinning the Strategic Regeneration Framework which is monitored and reported on a regular basis.										
CRR_R002	Children's Services and Schools & Learning: Failure to ensure that the processes for every child and young person in Haringey to have high quality education and lead healthy and fulfilling lives are in place. (Priority 1 and 2)	Clearer and stronger leadership, management governance, boards, strategies and plans in all key areas: Early Years, Early Help (EH) & Prevention, Schools, Social Care, and Youth Offending Service. Support mechanisms and action plans in place for schools to enable them to deliver results above the 'national average'. Robust schools admissions processes to ensure places are allocated appropriately. Strong and improved performance and quality monitoring in place across the Service. Action plans in place to embed this culture within a challenging 3 year MTFS programme.	Risk Owner: Director Children's Services. Control Owners: Assistant Directors Children's Services; Assistant Director Schools & Learning	29-Sep-2014	6	4	24		CY01_R004_F005	Implement and embed a comprehensive and coordinated Early Years and Early Help offer.	30%	31-Mar-2015
									CY01_R007_F001	Revise the internal protocol to identify key deadlines in the admissions process, to ensure action is taken at the earliest and appropriate time.	60%	31-Mar-2015
CRR_R003	Failure to manage the impact of Welfare Reform Act and Benefits Cap on Council resources, residents, and applicants for support	Key council priorities target sustainable housing growth and employment - regeneration plans for the borough include social and physical development opportunities - to assist individuals and families. Multi-agency 'Hub' in place to help households affected by Benefit Cap to claim DHPs, manage their finances and access training and jobs. Extra investment in Financial Inclusion work to support tenants who are affected by Social Housing Size Criteria.	Risk Owner: Chief Operating Officer. Control Owners: Head of Revenues, Benefits & Customer Services	30-Jul-2014	7	4	28		CRR_R003_F001	Work to discharge duty to the Private Rental Sector. Determine rent policy.	85%	31-Dec-2014
									CRR_R003_F002	Universal Credit implementation preparation	25%	31-Mar-2015






		<p>Flexible and targeted use of Discretionary Housing Payments (DHP) to prevent or delay homelessness and assist households with transition. Temporary Accommodation Reduction Delivery Plan to reduce the use and cost of TA. Plan agreed between Housing and the Childrens Service for families that are displaced by Welfare Reform. Spend monitoring of DHP, Support Fund and Council Tax Reduction Scheme and reported monthly. Support days available for residents facing difficulties with the changes. Signposting residents to other sources of support, including the third sector. Impact being monitored through a project and programme board. Regular meetings / discussions are held with the DWP and Job Centre Plus in relation to Universal Credit, but there is no date yet for Haringey's roll-out. Fraud Team engaged with DWP to manage the transition to Single Fraud Investigation Service.</p>										
CRR_RO05	Failure to manage significant future reductions in local and national income streams	<p>Medium Term Financial Strategy (MTFS) is being developed to address the reduction in government grant funding and deliver the savings programme. The MTFS will incorporate key elements of financial planning (Medium Term Financial Plan), workforce planning, risk and procurement strategies, capital programme and asset</p>	<p>Risk Owner: Chief Operating Officer Control Owner: Assistant Director - Finance</p>	22-Sep-2014	9	4	36		CRR_R005_F003	Progress the actions to identify the service changes needed for 2015/16.	75%	31-Dec-2014

		<p>management plan, regeneration strategy, Corporate Plan is in place for 2014/15, and a new plan is in development to take account of the new administration's priorities.</p> <p>Cabinet agreed a balanced budget for 2014/15 in February 2014; and savings for 2014/15 are monitored by senior managers on a monthly basis. All savings and growth plans have been reviewed and scrutinised by officers and members and will continue to be monitored throughout 2014/15.</p> <p>The impact of new legislation and the implications of the localisation of of business rates and the localisation of council tax benefit have been built into the Medium Term Financial Plan (MTFP) and continue to be monitored.</p> <p>Preparations for the service modelling for the setting of the 2015/16+ budgets are in progress but require more focused attention.</p> <p>Contingency and reserve levels are kept under review.</p> <p>Estimates of future funding levels within the MTFP are reviewed by officers after each spending announcement.</p> <p>Service and financial planning process enhanced to ensure continued focus on targeting resources to service priorities as set out in the corporate plan.</p> <p>The MTFS incorporates the corporate transformation programmes to maximise the</p>										
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		efficiency opportunities.										
CRR_R0 06	Failure to manage increased service demands from changing area population demographics (longer term) and residents impacted on by deteriorating economic conditions (shorter term).	<p>Key council priorities target improved education and health outcomes for children and families - focus on the prevention opportunities to reduce longer term financial pressures on council finances. Health and Wellbeing Strategy 2012-15 being reviewed with new strategy for 2015-18 to be implemented.</p> <p>Adult social care and Public Health working closely together to address health inequalities and service demand issues. Demand led forecasts are employed by in services to enable the profiling of budgets to meet demands</p> <p>Contingency plans are in place to address situations where demand exceeds the available resources.</p> <p>Multiagency advice and guidance services are provided and facilitated by the council. E.g. Hub provision for delivery of the benefit cap.</p> <p>Budgets are monitored monthly on a risk basis by senior managers.</p> <p>Quarterly budget monitoring report to Cabinet.</p> <p>Finance and procurement training provided to budget holders.</p> <p>Monthly monitoring of revenue collection (NNDR, Council tax, rents, other income)</p> <p>Completion of business cases for new activities, with identification of funding sources.</p> <p>Contingency sums are included</p>	<p>Risk Owner: Senior Leadership Team.</p> <p>Control Owners: All Directors/ Assistant Directors</p>	22-Sep-2014	8	4	32					

		in the budgets that are set.										
CRR_R007	Failure to manage the speed of change in the organisation adequately via the corporate transformation programmes (BIP and CST) could cause a delay in delivering efficiency and delay savings.	<p>A programme delivery approach has now been implemented across all main Council programmes.</p> <p>A Corporate Programme Board has been established, chaired by the Chief Operating Officer, to monitor the delivery of each of the main Council programmes</p> <p>Outcomes from the corporate programmes are aligned with the Corporate Plan.</p> <p>Resourcing of programmes has been undertaken to ensure the appropriate mix of resources and skills are in place for each programme.</p> <p>A corporate programme management office has been established under the management of the Assistant Director for Corporate Programme Office and Chief Information Officer, which will ensure a standard approach is adopted to implementation of the governance and budgeting aspects of all of the programmes.</p> <p>Culture change is an important aspect of all the programmes and requires its own workstream with a lead person now appointed to deliver the outcomes required.</p> <p>Independent reviews of the delivery of each programme are included as part of the process, and resources have been included in the 2014/15 internal audit plan to undertake reviews of the key programmes.</p>	<p>Risk Owners: Senior Leadership Team Control Owners: Programme SROs; Assistant Directors</p>	29-Sep-2014	9	4	36		CRR_R007_F001	Ensure Cabinet approval is obtained for all key and other relevant decisions relating to each of the corporate programmes.	50%	31-Jan-2015
									CRR_R007_F002	Ensure that independent assurance on each corporate programme is obtained to cover all stages of the project lifecycle.	50%	31-Mar-2015

CRR_R009	Care Act Implementation - risks of non delivery by required timescales and inability to deliver the broader changes in social care and improve wider health care services. (Priority 3)	Dedicated Programme Manager; Adopted Programme Management approach to implementation; Membership of London Social Care Partnership (LSCP) networks; Skills for Care supporting workforce planning activity; Project Teams undertaking activity modelling; Work on Workforce Capacity Planning commissioned; Financial modelling incorporated into project plans of all workstreams; Rolling programme of briefings to all stakeholder groups including staff; Dialogue established with other Council Transformation programmes; IT staff incorporated into Programme Management Board	Risk Owner: Assistant Director Adult Social Services; Controls Owner: Programme Manager Care Act, Adult Social Services	04-Sep-2014	6	5	30		AH01_R006_F001	Appoint Programme Officers and allocate them to support activity modelling and workforce capacity building.	90%	31-Mar-2015
									AH01_R006_F002	Identify current and new worker activity, jobs and roles and conduct a workforce capacity planning model.	75%	31-Mar-2015
									AH01_R006_F003	Implement workforce redesign.	0%	31-Mar-2015
									AH01_R006_F004	Use of Better Care Fund to drive improved VFM.	50%	31-Mar-2015
									AH01_R006_F005	Financial modelling of implementation costs to be cross-referenced with activity modelling.	20%	31-Mar-2015
									AH01_R006_F006	Care Act Page to be created on Haringey's website.	0%	31-Mar-2015
									AH01_R006_F007	Provision of Care Act briefings to staff, Senior Management and Members.	75%	31-Mar-2015

Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

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