

# **MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON THURSDAY, 24<sup>TH</sup> SEPTEMBER 2015**

## **PRESENT:**

**Councillors: Eddie Griffith (Vice-Chair), Gina Adamou, Emine Ibrahim, Felicia Opoku, Barbara Blake (Chair), Gideon Bull, Isidoros Diakides and Charles Adje**

## **20. FILMING AT MEETINGS**

The Chair referred Members present to agenda item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein.

## **21. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)**

Apologies for absence were received from Cllr Ejiofor and Cllr Elliott.

## **22. URGENT BUSINESS**

There were no items of urgent business.

## **23. DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

There were no such items.

## **25. MINUTES**

### **RESOLVED**

That the minutes of the meeting of the Corporate Committee held on 22 June 2015 be approved as a correct record and signed by the Chair.

The Committee wished to place on record its thanks to Kevin Bartle for the excellent quality of support and guidance he had given to Members, and that he would be greatly missed when he left the Council later in the year.

## **26. TREASURY MANAGEMENT JUNE 2015 ACTIVITY AND PERFORMANCE UPDATE**

The Committee received the Treasury Management update report for the three months to 30<sup>th</sup> June 2015, presented by George Bruce, Head of Finance – Treasury and Pensions.

In response to a question from the Committee regarding interest rates for new borrowing, Mr Bruce advised that rates were currently attractive but were expected to rise in due course; it was noted that the specific rates for any forthcoming capital borrowing would depend on the individual project.

The Committee asked about the Council's deposits, and the recent downgrading of Barclays Treasury to A-. Mr Bruce advised that A- was the minimum rating acceptable and that Barclays remained on the investment list as it met the criteria required by the Council. It was noted that the Council targeted an average credit score across its deposits.

### **RESOLVED**

That the Committee note the Treasury Management activity undertaken during the three months to 30<sup>th</sup> June 2015 and the performance achieved.

## **27. STATEMENT OF ACCOUNTS 2014/15 AND AUDIT FINDINGS REPORT (ISA 260)**

The Committee received the report on the Statement of Accounts 2014/15 and Audit Findings Report, presented by Tracie Evans, Chief Operating Officer, Neville Murton, Head of Finance – Accounting and Control, and Paul Jacklin, Grant Thornton.

In presenting the Audit Findings Report, Mr Jacklin gave an overview of the audit findings, value for money conclusion and the audit fee as set out in the report. Mr Jacklin advised that there were no unadjusted errors that the Committee needed to be made aware of. It was noted that, from 2017/18, the audit of the accounts would need to be completed by the end of July instead of September and that this was something that the Council would need to give consideration to. The Committee noted that it had not yet been possible for Grant Thornton to issue the certificate for the 2013/14 audit due to outstanding objections raised on the accounts, however it was anticipated that this would be concluded soon.

The Committee asked about the audit recommendation in respect of debt over two years old, and what these debts comprised of. It was reported that these debts were from a variety of sources, including Council Tax arrears and parking charges. Committee Members advised that they were aware that the Council was sometimes able to recover old debts through legal proceedings, and therefore asked for more information regarding this recommendation. Mr Jacklin advised that the recommendation was that the Council should assess the likelihood that old debts could be recovered on a case by case basis, and write off those debts assessed as unrecoverable. It was confirmed that there was no suggestion that the Council should not pursue debts that were potentially recoverable.

The Committee expressed concern regarding the amount of unrecovered debt over two years old, and asked for information on what the Council was doing to recover this money. Ms Evans reported that a dedicated project team had been established to focus on assessing the recoverability of old debts, and to improve the systems used for chasing and collecting money owed to the Council. It was acknowledged that increased automation of debt collection processes had resulted in some loss of focus on this area, and that there was now a recognised need to review these arrangements and improve the effectiveness of the systems in place. In response to concerns raised by Members of the Committee regarding the size of the team previously working on collection of debts, Ms Evans confirmed that a business case had been developed for increased resource in this area, and it was as a result of this that the current project team had been established.

In response to a question regarding the Council's performance on debt collection, Paul Dossett, Grant Thornton, advised that the Council generally performed well on this, but that historically there had not been sufficient focus on the collection of old debts. In response to a question regarding the cut-off point of two years, Mr Dossett advised that Grant Thornton had taken the view that debts outstanding after two years were unlikely to be collectable.

The Committee expressed concern that one of the causes of debt owed to the Council was delay in the housing benefits assessment process, and asked what was being done by the Council to ensure that these claims were being managed as quickly and accurately as possible. Ms Evans agreed that it was important to ensure that systems and timescales for benefits and Council Tax assessments were improved, and that this was being worked on as part of the current phase of the Business Improvement Programme. It was also noted that there had been a discussion on this issue at the previous meeting of the Committee. The Committee also expressed concern regarding the apparent lack of communication between different departments, for example in respect of court summons being issued for Council Tax arrears where a benefit claim assessment was outstanding; Ms Evans advised that it was anticipated that the co-location of these teams within the shared service centre would help to address this issue.

The Committee asked about the General Fund and Housing Revenue Account (HRA) surpluses (37.2m and £12m respectively), and what would happen to these. Mr Murton advised that the General Fund surplus would go into the Council's general balances and would be available for use in future years. In response to a question as to whether the Cabinet would have been aware of these surpluses at the time the budget for 2015/16 was set, Mr Murton advised that these surpluses would have been reported on as part of the regular budget monitoring reports, and this information would therefore have been available as part of the budget setting process. It was noted that interest rates being lower than anticipated accounted for much of the underspend, and also contingencies not being called on. In response to a question regarding the HRA surplus, it was reported that it had been a deliberate strategy to generate a surplus in order to fund stock repair and new housing stock in future years. For clarification, it was confirmed that the surplus in this area was not the result of underspending, but was generated from rental income. It was noted that this had been the strategy for the past few years, with the surplus each year identified for investment in specific schemes.

Members expressed concern that the General Fund surplus of £7.2m, while a small proportion of the overall Council budget, was still a significant sum of money and that residents would find it hard to understand that such an underspend could take place in the same year that there had been service reductions due to budget pressures. Cllr Ibrahim noted that she had asked a question relating to this matter in a previous meeting, and felt that what was being reported now differed slightly from the response she had received at that time. She wished for her concerns in this respect to be noted for the record.

Mr Dossett advised that Grant Thornton had issued an unqualified Value for Money conclusion as part of their audit report; it was noted that while the Council did not budget for an underspend, there were factors such as interest rates that it was not possible to anticipate. Mr Dossett noted that the next spending review was likely to be very challenging for local government, and that it would be increasingly important for local authorities to have sufficient reserves from 2017/8 onwards. Grant Thornton were of the view that local authorities should always seek to balance their budgets, and gave their opinion as auditors that the Council was managing its budgets well.

The Committee asked about the reasons for the reported reduction in teenage pregnancy rates in the borough, in response to which Ms Evans advised that the Public Health team were currently undertaking some analysis around this. It was noted that significant intervention had been carried out in relation to this issue, however, and it was expected that the reduction in teenage pregnancy rates was likely to be as a result of this work.

The Committee asked about Haringey's target for council tax collection, and how this compared with other local authorities. Mr Murton advised that Haringey's target had been 94% for 2014/15, which had been exceeded, and that the target had therefore been increased to 95% for 2015/16. It was noted that the benchmark target for other local authorities was in the region of 96-97%. In response to a question from the Committee, Mr Murton advised that each 1% increase in the council tax collection rate equated to approximately £0.75m and that the increase in collection rate target for this financial year had been factored into the Council's overall budget.

The Committee asked Grant Thornton about their responsibilities in respect of identifying and reporting on areas of waste, for example vacant buildings being held by the Council. Mr Dossett advised that the role of external audit was to monitor the Council's systems and arrangements for financial resilience, economy and efficiency, and whether these were robust, and that highlighting individual examples of waste was not a role of the auditor. It was reported that auditors no longer had the power to advise local authorities against particular policy decisions, although in the event that they were aware that the Council was about to embark on a programme entailing significant risk, they would look at this within the context of the Council's wider arrangements and consider the outcomes.

With regard to the surpluses reported, the Committee proposed writing to the Cabinet to express the concerns of the Corporate Committee and to request a response on how these had arisen and what would happen to the resources concerned. It was agreed that this would be undertaken.

The Chair noted that the Statement of Accounts was a very well-written document, and was easy for a non-financial expert to understand. The Chair thanked Kevin Bartle, Neville Murton, Lubna Nasir and the team for their work in producing the accounts.

## **RESOLVED**

1. That the Committee note the contents of the report and the verbal presentation given by Grant Thornton at the meeting.
2. That the Committee approve the Statement of Accounts 2014/15, 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 Committee note the Audit Findings Report (ISA 260) of the auditors, Grant Thornton, and approve the management responses in the Grant Thornton action plan contained within that report.
4. That the Committee write to the Cabinet, outlining its concerns in relation to the General Fund and Housing Revenue Account surpluses and requesting an explanation of how these were generated and what would happen to these surpluses.

## **28. EXTERNAL AUDIT - PROGRESS UPDATE**

The Committee considered the external auditors' update report, presented by Paul Dossett, Grant Thornton. The Committee was asked to note in particular the work on certifying the 2013/14 audit which it was anticipated would be completed shortly, and the Housing Benefit certification work, a report on which would be presented to the next meeting of the Committee. The report also gave an overview of other documents and reports which might be of interest to the Committee.

In response to a question from the Committee regarding the inclusion of the section on devolution, Mr Dossett advised that this was to draw the Committee's attention to the LGA white paper on devolution and that Grant Thornton would also be issuing a report on this subject shortly.

The Chair thanked Grant Thornton for this update, and for their work in respect of the audit of the Statement of Accounts.

## **RESOLVED**

That the content of the report be noted.

## **29. QUARTERLY INTERNAL AUDIT REPORT - QUARTER 1**

The Committee considered the internal audit progress report for quarter 1 2015/16, as presented by Anne Woods, Head of Audit and Risk Management. Ms Woods advised the Committee that the outstanding recommendation from 2013/14 in respect of the

Pan London (Major) Equipment Service had now been confirmed as completed following the drafting of the report. In response to a question from the Committee regarding the reason for the delay in completing this recommendation, Ms Woods advised that the matter had been chased by the Council, but that she was not aware of the reason for the delay.

The Committee asked about the follow up audits reported on, and the reasons for some audit recommendations being no longer applicable. Ms Woods advised that there were a number of reasons for this, for example in this quarter there were a number of recommendations relating to manual processes, which had subsequently been replaced by a new computer system. In response to a question regarding the 88% compliance rate, Ms Woods advised that, given that some recommendations ceased to be applicable, it was not always possible to achieve 100% compliance. It was reported that the Council's focus was on ensuring 100% compliance with priority 1 recommendations and that this had been achieved in this quarter.

The Committee asked whether further action was taken against employees who resigned as a result of investigations into financial irregularities. Ms Woods advised that no further action would be taken where no financial implications for the Council had been identified, but that action would be taken against former employees to recover any money owed to the Council identified during the course of an investigation.

The Committee asked about the length of tenancy fraud cases – it was reported that some were resolved within days whereas others could take up to three years to progress through legal proceedings and Judicial Review. It was also noted that some investigations and prosecutions were undertaken jointly with other authorities and that this could increase the risk of delay. It was noted that the target for the completion of an investigation was eight weeks, and that this was achieved in 99% of cases, but that especially complex investigations could take up to three months to complete.

The Committee noted the summary of the audit of Pendarren Outdoor Education Centre, and asked what was being done to address the issues identified. Ms Woods advised that support mechanisms and guidance were now in place to support management at the centre, specifically in relation to financial governance, and a detailed action plan had been drawn up.

In response to a question from the Committee regarding the work undertaken to prevent money laundering, Ms Woods confirmed that the Council had a statutory duty to investigate and validate sources of funds, and would be liable in the event that due investigation was not carried out. In respect of Right to Buy applications, the Council undertook investigation of the sources of funding being proposed for deposits and looked for an audit trail to substantiate that the source of funding was legitimate. The Committee noted that they were made aware by residents of the stringent checks in place around Right to Buy applications and were reassured by this.

**RESOLVED**

That the Committee note the audit coverage and anti-fraud work completed; and the actions taken during the quarter to ensure audit recommendations are implemented and address the outstanding recommendations during the first quarter 2015/16.

**30. CORPORATE ANTI-FRAUD AND CORRUPTION POLICY AND STRATEGY**

The Committee considered the report on the Corporate Anti-fraud and Corruption Policy and Strategy, as presented by Anne Woods, Head of Audit and Risk Management.

The Committee asked about the Council's approach to prevention of money laundering, and whether it was as systematic in its investigations across all departments as it was in relation to Right to Buy applications. Ms Woods advised that it was difficult to identify every possible process where money laundering was a risk, however staff in departments where they were likely to encounter significant financial transactions were briefed on the anti-money laundering policy, and due diligence was undertaken as part of the process for adding any organisation onto the Council's vendor management system. The Committee asked about regeneration projects and the risk of money laundering associated with property investment from overseas investors; Tracie Evans, Chief Operating Officer, advised that the Council would have responsibility for undergoing the necessary checks to prevent money laundering when they were the vendor, but that where a private company was selling property within the borough, the responsibility rested with that company, in accordance with legislation.

Referring to the Anti-fraud Strategy, the Committee asked whether it would be possible for senior officers' declarations of interest and registers of gifts and hospitality to be made public, in the same way as Councillors' records were. Ms Evans agreed that transparency was essential within the Council and that the best way of making these records public for senior officers was currently being considered. It was anticipated that this would be achieved by the end of the year. The Committee noted that this was particularly important given the levels of decision making delegated to senior officers.

**RESOLVED**

That the Committee approve the updated Corporate Anti-fraud and Corruption Policy and Strategy, together with the appended Fraud Response Plan, Whistle-blowing Policy, Sanctions Policy, Anti-money Laundering Policy and Anti-bribery Policy.

**31. DELEGATED DECISIONS, SIGNIFICANT ACTIONS AND URGENT ACTIONS**

The Committee noted the content of the report.

**32. ANY OTHER BUSINESS OF AN URGENT NATURE**

There were no new items of urgent business.

**33. DATE AND TIME OF NEXT MEETING**

26 November 2015, 7pm.

The meeting closed at 8.55pm.