

MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON TUESDAY, 26TH MARCH, 2019, 7.00 pm

PRESENT:

Councillors: Seema Chandwani, Zena Brabazon, Isidoros Diakides (Chair), Barbara Blake, Mike Hakata and Liz Morris

64. **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.

65. **APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)**

Apologies for Absence were received from Councillors; Carlin, Culverwell, Gunes, Rossetti and Stone.

Apologies for lateness were received from Cllr Hakata.

66. **URGENT BUSINESS**

There were no items of urgent business.

67. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

68. **DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS**

None.

69. **MINUTES**

The Panel received a verbal update from BDO on the review of the pooling of housing capital receipt returns. It was noted that the total was estimated to be around £21m of which the Council was able to retain 30%. Further work was being undertaken to bottom out this figure including testing payments to third parties, such as housing associations.

The Committee sought further details on this issue, including information on the process used for transferring receipts to housing associations. Was this done through a tender process, for example? The Head of Pensions agreed to send round a note to Members on this issue. **(Action: Thomas Skeen).**

RESOLVED

The minutes of the meeting held on 5th February were agreed as a correct record.

70. TREASURY MANAGEMENT UPDATE - Q3

The Committee received a Treasury Management update report from the Head of Pensions, Treasury and Chief Accountant, Thomas Skeen, as set out in the agenda pack at pages 11-22. Overall there had been a £18.9m increase in borrowing as at 31st December 2018. This reflected an increasing Capital Financing Requirement (CFR) due to the capital programme and an estimated borrowing requirement. The authority expected to carry out additional long-term borrowing from the PLWB at an average rate of 2.57%, which was a historically low figure. The following was noted in discussion of the report:

- a. In response to a question around how Haringey compared to its neighbours, officers advised that borrowing levels were broadly comparable but Haringey had low cash levels compared to some boroughs and consequently was reliant on borrowing in order to finance investment.
- b. The Committee sought clarification around the borrowing process and how borrowing for the capital programme was funded. Officers advised that the Capital Finance Reserve was £591m, which was entirely made up of borrowing and comprised £365m of external borrowing and £192m of internal borrowing. The Council could not borrow above its CFR but was in constant discussion with its treasury advisors about the best time to borrow money. Officers outlined that the strategy was to continue to take out long terms loans and to lock in good rates of interest. In doing so, the Council could reduce short-term borrowing and allow further headroom for subsequent borrowing in the event of unforeseen economic pressures.
- c. In response to further questions, officers advised that the default position was for the authority to take out short-term borrowing from other local authorities and then back-fill those loans with long term loans from the PLWB, when conditions were right.
- d. In response to a question about how the council could best insure it was not borrowing at an inflated rate, the Committee was advised that the Council had a duty to achieve value for money. The best way of achieving this was through a competitive bidding process, using tendering and OJEU rules.
- e. In response to a question around possible challenges to council financial compliance, the Committee was advised that under the Wednesbury Principle, the assessment of a judicial review of a public bodies' decision was based on whether a reasonable person acting reasonably could have made it. BDO advised that this was a high threshold and went above a simple determination of whether a particular decision was reasonable or not.

RESOLVED

- I. That Members noted the Treasury Management activity undertaken during the nine months to December 2018 and the performance achieved.
- II. That Members noted that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

71. UPDATE ON 2017/18 AUDIT AND AUDIT PLAN 2018/19

The Committee received a cover report and accompanying audit planning report from BDO, which summarised the planned audit strategy for the year ending 31 March 2019. The audit planning report was introduced by Lee Lloyd Thomas from BDO as set out in the agenda pack at pages 27-62. The following was noted in discussion of the report:

- a. The Committee sought assurances about the audit of social care accruals, in response BDO advised that accruals were fundamentally sound but that the issue related to delays in providing care packages and the impact this had on accounting those accruals.
- b. The Committee expressed concern with delays to care packages and questioned whether this was causing misery to service users. Officers advised that they had spoken to the Commissioning Service and that they had received categorical confirmation that there had been no impact on service users from the social care accruals. The Committee expressed further concerns about the service's ability to monitor which services people received if there was a gap in payment and the impact that could have on delays. The Committee also sought clarification on whether there were similar issues with Children's Services.
- c. BDO set out that Adults Service had around 3.5k service users who all had different service needs, which amounted to thousands of transactions at any one time. Part of the issue with accruals was that it was impossible to audit this accurately by running one report at year-end. A number of cases were still ongoing at year-end and there were also cases of double counting and some cases being incorrectly allocated.
- d. The Committee raised concerns about contract monitoring and queried how the Council could be sure that it was being charged the correct amount by social care providers for each service user.
- e. The Committee requested that officers from the Commissioning service attend a subsequent meeting of the Committee and provide a detailed update on this issue. The Committee requested that they be able to demonstrate that delays to the social care accruals did not have any effect on the quality and delivery of that service. **(Action: Clerk).**
- f. In response to a question around materiality, BDO advised that they assessed whether misstatements were material and that the threshold was above 1.5% of gross spending. This equated to £16.4m. BDO advised that they would come back in July with the final audit report for the Committee's sign-off. **(Action: Lee Lloyd-Thomas).**
- g. The Committee sought reassurance about the potential impact on the accounts from high redundancy payments. In response, BDO advised that this was a risk if a high number of redundancies were undertaken but that the Council was nowhere near the level required for this to be considered a material consideration.
- h. The Committee sought clarification around whether the introduction of IFRS9 would undermine the Council's ability to develop a Wholly-Owned Company to build social housing. In response, BDO advised that this would be an issue if it was debt funded but not if it was equity funded.
- i. In response to concerns around the governance of redundancy payments and how these were calculated, officers advised that there was a specific policy in place as there was with pension calculations. The Committee enquired whether

- negotiated redundancy settlements and pay-outs including discretionary payments, were subject to appropriate oversight. Officers advised that the pension fund had its own independent auditor.
- j. The Panel sought year on year figures for redundancy settlements in the last five years to assure itself that proper process was being followed. In response, the Chair agreed to consider how best to accommodate this request in conjunction with the Chair of Pensions Committee and Overview and Scrutiny Committee. **(Action: Cllr Diakides)**.

RESOLVED

- I. That the Committee noted the report

72. INTERNAL AUDIT PROGRESS REPORT 2018/19 - QUARTER 3

The Committee received a report which set out the work undertaken to date by Internal Audit, focusing on progress against the approved internal audit plan. The following was noted in discussion of the report:

- I. The Committee raised concerns that it had been seven years since an audit of grievance management was undertaken. In response to a query, officers advised that the number of grievances was quite low for the size of the organisation. Officers agreed to come back with further details of the number of grievances received. **(Action: Minesh)**.
- II. The Committee raised concerns that S&R had not had sight of the audit report on grievance management. The Committee requested that from now on internal audit reports should be sent to the relevant committee or panel, where appropriate, as a matter of good practice. **(Action: Minesh/Richard Grice)**.
- III. The Committee sought clarification about whether HfH implemented the recommendations from the homelessness reduction report. In response officers advised that HfH agreed the recommendations but the extent to which they had been implemented was not known. Officers agreed to raise this with the Cabinet Member. **(Action: Minesh)**.
- IV. In relation to the Facilities Management contract, officers advised that the audit had picked up a number of concerns, including the fact that the contract specification requirements had not been met and this was not challenged. The Committee raised concerns with about the fact that the Council was paying APSE to examine the contract but the Internal Audit report had not even been shared with the Cabinet Member. The Clerk agreed to send the report to the Cabinet Member. **(Action: Clerk)**.
- V. The Committee requested that the Internal Audit plan examine the issue of contract management across the organisation. **(Action: Minesh)**.
- VI. The Committee sought clarification around what processes were in place for the ongoing monitoring of recommendations arising from audit reports. In response, officers advised that the role of audit was to offer independent assurance to management but it was not responsible for making those improvements itself. Committee members suggested that this process needed to be more holistic and that the political side of the organisation also needed to be involved in reviewing and monitoring audit findings. **(Action: Minesh)**.
- VII. In response to a question, officers confirmed that Internal Audit reports could be subjected to FOI requests.

RESOLVED

- I. That Corporate Committee noted the audit coverage and follow up work complete.

73. ANNUAL INTERNAL AUDIT PLAN 2019/20

The Committee received an updated copy of the internal audit plan and cover report for approval, as set out in the second dispatch agenda pack at pages 3-14. The following was noted in discussion of the report:

- a. In response to a question about how the plan was compiled, officers advised that this was done through a risk-based approach and that audit worked with directors to agree the key areas of focus.
- b. The Committee asked whether there was any audit work scheduled around the use of temporary agency staff. Officers advised that Hays were part of this year's plan. Officers agreed to bring an update on the audit of Hays to the next meeting. **(Action: Minesh)**.
- c. The Committee requested that the audit of the Veolia contract and the audit of the Highways contract be switched so that Highways took place in Quarter 1 to coincide with APSE reviewing the contract. In response, officers advised that the Highways contract was selected in Quarter 3 as it was due to be re-tendered and the OJEU notice sent out. Officers agreed to check when the OJEU notice was due to go out and to also speak to the Cabinet Member about potentially swapping the Highways and Veolia audits. **(Action: Minesh)**.
- d. The Committee raised concerns about the potential equalities impact involved in the review of parking operators and requested that reviewing the equalities considerations be included into the audit terms of reference. **(Action: Minesh)**.

RESOLVED

- I. That the Corporate Committee reviewed and approved the updated Annual Internal Audit Plan for 2019/20, subject to the points set out above.

74. COUNTER FRAUD UPDATE

The Committee received a counter-fraud update report covering the year to date period up to December 2018.

The Committee requested that an update on the whistleblowing policy be provided to an upcoming meeting. **(Action: Minesh)**.

RESOLVED

- I. The Committee noted the counter-fraud work completed to the end of Quarter 3 2018.

75. NEW ITEMS OF URGENT BUSINESS

None

76. DATE AND TIME OF NEXT MEETING

N/A

CHAIR: Councillor Isidoros Diakides

Signed by Chair

Date