

NOTICE OF MEETING

CORPORATE COMMITTEE

**Tuesday, 26th March, 2019, 7.00 pm - Civic Centre, High Road,
Wood Green, N22 8LE**

Members: Councillors Seema Chandwani, Zena Brabazon, Isidoros Diakides (Chair), Dana Carlin (Vice-Chair), Dawn Barnes, Barbara Blake, Eldridge Culverwell, Makbule Gunes, Mike Hakata, Liz Morris, Alessandra Rossetti and Daniel Stone

Co-optees/Non Voting Members:

Quorum: 3

1. FILMING AT MEETINGS

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The chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual or may lead to the breach of a legal obligation by the Council.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

3. 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)

4. 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.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

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

6. MINUTES (PAGES 1 - 10)

To consider and agree the minutes of the meeting held on 5th February 2019.

7. TREASURY MANAGEMENT UPDATE - Q3 (PAGES 11 - 22)

8. UPDATE ON 2017/18 AUDIT AND AUDIT PLAN 2018/19 (PAGES 23 - 62)

9. INTERNAL AUDIT PROGRESS REPORT 2018/19 - QUARTER 3 (PAGES 63 - 74)

10. ANNUAL INTERNAL AUDIT PLAN 2019/20 (PAGES 75 - 86)

11. COUNTER FRAUD UPDATE (PAGES 87 - 94)

12. NEW ITEMS OF URGENT BUSINESS

To consider any items of urgent business as identified at item 3.

13. DATE AND TIME OF NEXT MEETING

TBC

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Bernie Ryan

Assistant Director – Corporate Governance and Monitoring Officer
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Friday, 15 March 2019

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MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON TUESDAY, 5TH FEBRUARY, 2019, 7.00.

PRESENT:

Councillors: Isidoros Diakides (Chair), Dana Carlin (Vice-Chair), Dawn Barnes, Makbule Gunes, Mike Hakata, Alessandra Rossetti, Daniel Stone, Zena Brabazon and Seema Chandwani.

53. 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.

54. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Cllr Blake, Cllr Culverwell and Cllr Morris.

Cllr Hakata gave apologies for lateness.

55. URGENT BUSINESS

None.

56. DECLARATIONS OF INTEREST

There were no declarations on interest.

57. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

None.

58. MINUTES

The minutes of the meeting of 3rd December were agreed as a correct record of the meeting.

59. HOUSING BENEFITS SUBSIDY CERTIFICATION REPORT

Clerk's Note – The Chair agreed to amend the order of the agenda so that the Housing Benefits Subsidy Certification Report was taken as the first substantive item. The minutes reflect the order that each item was discussed, rather than the order on the published agenda.

The Committee received a report from BDO which provided an update on the main issues arising from certification of the housing benefits subsidy for the financial year ended 31st March 2018. The report was introduced by Lee Lloyd-Thomas and was included in the agenda pack at pages 47-55. The following points were noted in discussion of the report:

- a. The Committee was advised that the housing benefits subsidy process provided an allowance each year to allow local authorities to recover overpayments resulting from local authority errors and administrative delays, through a DWP subsidy. However, this allowance was capped to provide subsidy in full for overpayments where the total did not exceed 0.48% of total benefits, provided for subsidy at only 40% where these overpayments did not exceed 0.54% of total benefits, and penalised local authorities by not providing any subsidy for these overpayments which exceeded 0.54% of total benefits.
- b. As a result of clearing a large part of the backlog in 2017/18, the Council had created a higher than usual number and value of overpayments arising from local authority errors and administrative delays, which exceeded the 0.54% threshold. As a result, the Council had not been able to recover any amounts for the £1.445 million local authority error and administrative delay overpayments in 2017/18.
- c. The Committee was advised, that ideally, the Council should seek to minimise such errors so that these fell below the 0.48% threshold to be able to recover those amounts in full through subsidy from DWP. BDO advised that they welcomed the fact that the Council had taken action and obtained external support to clear many of the backlog cases and claimant changes.
- d. In discussions with management, BDO advised that the current position (to 14 January 2019) suggested that the overpayments total to date of £577,504 was only 0.30% of benefits awarded and should be recoverable in full this year. However, this was subject to continued good performance for the remainder of the year.
- e. The certification process was set by DWP and required that BDO test an initial 60 benefit cases in full. Where an error was advised in any of these cases, and for all error types found in the prior year, BDO then tested a further 40 cases with similar characteristics to the identified error. Whatever the percentage rate of error was within those 40 cases, this was then extrapolated across the board to determine amount of subsidy claimed. This year, this resulted in 29 separate error types where an additional 40 cases were tested.
- f. Overall, the auditors advised that the direction of travel showed a significant improvement in 2017/18. Over the duration of the year, the Council had more than halved its backlog. BDO suggested that with further work to clear the remainder of the backlog in 2018/19, it was hoped that the Council would receive its full subsidy for 2019/2020.
- g. In response to a question around delays, officers advised that the KPI in relation to new claims was 20 days, current performance was 22 days. There were around 5000 cases currently in the backlog, but officers advised that there were around 3000 new cases per week.
- h. The Committee sought clarification in relation to the use of an external company, called Merritec to help clear the backlog of cases. In response, officers advised that experienced staff were needed to clear the backlog and that employing in-house staff had proven difficult over the years, particularly as it took around nine months to train a Benefits Officer. The current establishment

for the team was 38 FTE but the current number of staff was 30. Savings from the vacant posts covered the cost of the contract. The cost of the contract with Merritec was around £250k per year.

- i. In response to concerns about the use of external staff/contractors rather than Council staff, officers set out that this was a much more efficient way of dealing with the backlog and that attempts to employ temporary staff directly was one of the reasons for the number of mistakes which had caused the historical backlog. Officers advised that part of the reason that it was difficult to recruit in-house staff was because the Council paid less than some other boroughs, as well as the uncertainty caused by repeated delays to the roll-out of Universal Credit. Officers advised that the award of the contract was done following a mini-tender process.
- j. The Committee sought assurances about how effectively the Council was using its Discretionary Housing Payments to help those in need. In response, officers advised that the DHP was used on a case-by-case basis and that the full allocation was used each year. Officers cautioned that the DHP funding from the DWP got less and less each year.

Clerks note – Cllr Hakata arrived at the meeting.

- k. In response to a question, officers advised that the backlog was primarily due to a lack of staffing resources in that area to deal with the caseload. One potential source of overpayment was identified as a recipient failing to declare a change of circumstances, such as a new job. A process of data matching between DWP and HMRC was undertaken to identify such cases.
- l. In response to a request for clarification on the total losses that the Council had incurred, BDO advised that they had identified £500k of additional overpayments that were not picked up in the self-report and that this was on top of the £1.4m in cases identified which exceeded the 0.54% threshold. This resulted in around £1.9m of additional costs, which would have to be paid for from the General Fund.
- m. In response to a question around the audit cost, BDO advised that the audit fees were around £38k. The amount of the fee was set by government.
- n. The Committee enquired whether there was a plan in place to reduce the Council's reliance on Merritec, with a view to them being used to train up in-house staff. In response, officers reiterated that the future caseload would be heavily impacted by the introduction of Universal Credit and it was anticipated that carrying a significant vacancy rate would hopefully prevent redundancies further down the line.
- o. The Committee sought reassurances around what happened to the individual claimant when an overpayment was made. In response, officers advised that the usual process was that standard deduction of £11.10 per week from a claimant's Housing Benefit. If the person in question was not a benefit claimant then the case would be passed on to another team to chase up repayment. In response to a follow up question, officers advised that they were not aware of any case where a person had been made homeless as a result of failure to repay an overpayment. The Committee emphasised the need for a link to local voluntary sector organisations who could assist with housing arrears.
- p. The Committee expressed concern with the lack of a facility for claimants to make appointments to speak to council staff in person to go through the

- paperwork. It was suggested that this may contribute to delays and the additional costs associated with overpayments.
- q. Officers agreed to circulate benchmarking marking data in relation to the Council's performance against other local authorities. **(Action: Amelia Hadjimichael)**.
 - r. The Committee also requested that a follow up report be brought back to a the Committee at the halfway point in next year's collection process, which provided an update on efforts to reduce the backlog and further benchmarking with other local authorities on overpayments. **(Action: Amelia Hadjimichael)**.

60. TREASURY MANAGEMENT STATEMENT 2019/2020

The Committee received the Treasury Management Strategy Statement for 2019/20-2021/22 for comments, following its submission to Overview and Scrutiny Committee and before it was presented to Full Council for approval. The following was noted in response to the discussion of the statement and the accompanying cover report:

- a. The Committee sought clarification about who the Council borrowed money from and the interest rate that was being paid. In response, officers advised that the £670m forecast borrowing over the next three years would be done through a combination of loans from the Public Works Loan Board (PWLB) and loans from other local authorities. Officers advised that new loans from the PWLB were budgeted at an average interest rate of 3%, while loans from other local authorities were 1%. However, loans from other local authorities were only taken out for 1 year and effectively had a variable interest rate, whereas loans from the PWLB were up to 50 years in length and a fixed rate. In response to a further question, officers advised that the length of a PWLB loan would be partly determined by the spread of existing debt and the date at which those loans matured.
- b. The Committee requested that future treasury management reports be broken down by the capital spend allocated to each service area. **(Action: Thomas Skeen)**.
- c. In response to a query, officers advised that around the majority of newly introduced capital schemes were self-financing, i.e. the net cost to the Council was neutral, either because there was a revenue generated to offset the interest or because it generated a saving elsewhere.
- d. In response to a question around the potential for the Council to pay off its LOBO loans, officers advised that it was ultimately the decision of the Section 151 Officer as to whether this was in the Council's interest. Finance officers were continuing to monitor the situation but had not yet received an acceptable offer. In response to concerns about what would happen if the lender suddenly increased the interest rate, officers advised that it was not in the interests of the lender to do so unless interest rates rose significantly, as the Council could refinance the debt using another provider.
- e. In response to a question around recent cases where local authorities had taken particular lenders to court in relation to LOBOs, the Committee was advised that these court cases were in relation to a specific type of LOBO which linked the interest rate to the LIBOR rate. The case related to taking specific banks to court who had been found guilty of manipulating the LIBOR rate. The LOBO loans that the Council had taken out were different and

- therefore not related to the legal cases in question. Officers advised that it was very unlikely that the Council would be able to walk away from its vanilla LOBO loans and suggested that the interest rate paid was similar to the rate that would have been available from the PWLB at that time.
- f. From an external audit perspective, BDO advised the Committee that their role was to assess whether the LOBOs were legal and whether the decision to take them out was rational. BDO advised that the loans were both legal and rational, and that including the repayment holiday the LOBOs may have been cheaper than an equivalent PLWB loan.
 - g. The Committee sought assurances about whether the Council had a strategy in place to ensure that it held a diverse range of income streams across the borough. In response, officers advised that the Council maintained a significant commercial property portfolio. The Chair enquired about whether the Council could play a greater role in community wealth building through loans and investment in local enterprises. In response, officers acknowledged that the Council had a role to play but cautioned that from a finance perspective the primary concern would be that any default on loans or investments would result in a direct cost to the Council's General Fund.
 - h. In relation to a query about the relationship between forecasts and borrowing limits, officers advised the Committee that the Council could only afford to borrow what it was able to repay through its revenue budget. The Committee was advised that the Council was well within its debt ceiling for each of the years covered by the strategy.
 - i. In relation to a question around PFI, officers reiterated that the permissible level of borrowing was determined by the overall operational boundary and advised that boundary included PFI and leases. The Committee was advised that there was only one historical PFI, with Jarvis, in relation to a secondary school and that the Council was not looking to take out any further PFIs. Upon further discussion the Committee was advised that the Building Schools for the Future programme subsumed the PFI and that it had basically been converted into straight forward borrowing debt. The Council no longer paid any maintenance costs on the school as part of a PFI.
 - j. The Committee sought clarification as to whether the borrowing costs were included in the figures for the capital programme. In response, officers advised that borrowing costs were reflected in the overall MTFs but that they were not itemised on a line-by-line basis. Officers set out that capital schemes had three types of funding; external funding (such as grants), self-financing or the Council had to borrow money to fund them.
 - k. The Committee suggested schemes that were self-funding contained the greatest element of risk. Officers advised that each of those schemes would involve a business case and the risk would be reflected in the complexity of the business case.
 - l. In response to a question, officers advised that borrowing was staggered to ensure that capital funding was available when it was needed. Otherwise, the Council would have a lot of cash that it would need to invest somewhere.
 - m. In response to a question around whether the Council's Minimum Revenue Provision for pre 2008 expenditure at 2% was sufficient, officers advised that it was not dissimilar to other council's and that they were satisfied with the level.
 - n. The Committee confirmed that they endorsed the Treasury Management Strategy Statement and agreed for its submission to Full Council for approval.

RESOLVED

That the proposed Treasury Management Strategy Statement 2019/20 – 2021/22 was agreed and recommended to Full Council for final approval.

61. AUDIT PROGRESS UPDATE

The Committee received a report from BDO, which provided an update on the progress of the work programme for the external auditors for 2018/19. The following was noted in response to the discussion of the report:

- a. In response to concerns raised in relation to the Council using an old version of SAP, and a consequent lack of an IT ledger system and control points, officers advised that discussions were underway with a software developer to build a patch on to SAP and improve its functionality. The Head of Pensions agreed to bring an update back to the Committee at its next meeting. **(Action: Thomas Skeen).**
- b. In relation to the current objections to the Statement of Accounts, the Committee requested to see a copy of the housing maintenance objection, as well as the auditors judgement when it was available. BDO agreed to send the original objection to the clerk for circulation to the Committee. **(Action: BDO).**
- c. In relation to a request for further information on the reasons behind an increase in audit costs, BDO advised that the fees were increased by around £20k to reflect a number of additional areas of work undertaken. The Committee was advised that some of this work related to an inaccurate dataset being sent to the valuer in relation to buildings and land. Further areas of work included an underestimation of all of the costs accrued for care placements, largely due to delays in payments, which resulted in bills being higher than estimated. The Committee expressed concern with these errors and in particular the potential for creating further budget pressures. BDO advised that officers were working to address these issues. It was noted that work was being done to ensure that more accurate valuation reports were compiled in future.
- d. The Chair requested further information in relation to the review of the pooling of housing capital receipt returns and the specific issues involved. **(Action: BDO).**
- e. The Committee expressed concern with some of the issues raised in the audit report and, in particular, the fact that this was the first time that they had heard about them. The Committee suggested that, in its role as the Committee responsible for audit, it should receive information at an early stage and requested that a process be developed to ensure this. The Committee requested that it receive a full report on the two issues that were raised in relation to the asset register and the underestimation of care costs. **(Action: Thomas Skeen/BDO).**

RESOLVED

That the audit progress report was noted.

62. NEW ITEMS OF URGENT BUSINESS

N/A

63. DATE AND TIME OF NEXT MEETING

26th March

CHAIR: Councillor Isidoros Diakides

Signed by Chair

Date

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**Corporate Committee
Action Tracker**

Mtg. Date	Action	Response	Who by	Completed
5 th February	The Committee requested benchmarking data with other local authorities in relation to overpayment of benefits.	Email sent on 1 st March with the DWP published figures for 2017-18 and the statistical release up to September 2018.	Amelia Hadjimichael	Ongoing
5 th February	The Committee requested a follow up report, at the halfway point in next year's collection process, to provide an update on efforts to reduce the backlog of overpayments as well as some further benchmarking.	Agreed – follow up report to come back in December 2019.	Amelia Hadjimichael	Ongoing
5 th February	The Committee requested that future treasury management reports be broken down by capital spend for each service area.	Officers have agreed to incorporate this into the next treasury management strategy statement.	Thomas Skeen	Ongoing
5 th February	The Head of Pensions agreed to bring an update back to the Committee at its next meeting in relation to discussions underway with a software developer to build a patch on to SAP and improve its functionality.	This additional functionality is in place.	Thomas Skeen	Ongoing
5 th February	The Committee requested to see a copy of the housing maintenance objection to the 2017/18 Statement of Accounts, as well as the auditor's judgement, when it was available.	Objection circulated to Committee by email on 26 th February.	BDO/Clerk	Completed
5 th February	The Chair requested further information in relation to the review of the pooling of housing capital receipt returns and the specific issues involved.		BDO	Ongoing
5 th February	The Committee requested that it receive information on issues raised during the audit process at an early stage and asked that a process be developed to ensure this. The Committee requested a full report on the two issues that were discussed on the asset register and the underestimation of care costs.	A summary of both issues will be included in the officer's covering report that will accompany BDO's March audit planning report.	BDO/ Thomas Skeen	Ongoing
3rd December	Update from the AD Schools and Learning on the audit process for academy schools and on the analysis of which schools did not attend audit training and any correlation with those receiving poor audit scores.	Officers have been chased for a response.	Eveleen Riordan/Clerk	Ongoing
3rd December	Chair agreed to meet with officers and the relevant Committee members to discuss how best to progress the issue around equalities monitoring and fraud	Head of Audit agreed to meet with relevant Councillors.	Cllr Gunes/ Minesh Jani	Ongoing

	investigations.			
3rd December	The Committee raised concerns with a number of areas of building compliance set out in the Annual Report and commented that there did not seem to be details of corrective action or risk profile. A report back to the Committee was requested, suggested that it would be in 6 months' time.	The next Property Compliance Board is on 14/02/2019. A new reporting system has been proposed so different sections in charge of properties can report on compliance on a systematic way. These will allow the service to risk profile the Council's stock.	Andrew Meek	Ongoing
20 th September	The Head of Audit and Risk Management agreed to come back to the Committee, following receipt of data matches, on potential fraud by contractors carrying out HfH major works	This will form part of an upcoming National Fraud Initiative report.	Minesh Jani	Ongoing
20 th September	The Head of Audit and Risk Management agreed to speak to Mazars to produce some benchmarking around school audit compliance with statistical neighbours.	This action in ongoing.	Minesh Jani	Ongoing
20 th September	The Cabinet Member undertook to work with the Head of Audit to set up another governance training session for schools and to also write to school governors to remind them to attend.	Head of Audit and Risk Management has arranged governance training in February.	Minesh Jani/Cllr Weston	Ongoing

Report for: Corporate Committee 26 March 2019

Title: Treasury Management Update Report

Report authorised by: Jon Warlow, Director of Finance (S151 Officer)

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** 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 nine months to 31 December 2018 in accordance with the CIPFA Treasury Management Code of Practice.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That members note the Treasury Management activity undertaken during the nine months to 31 December 2018 and the performance achieved.
- 3.2. That members note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

4. Reason for Decision

- 4.1. None.

5. Other options considered

- 5.1. None.

6. Background information

- 6.1. 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 a Treasury Management Strategy Statement annually. 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."
- 6.2. 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.
- 6.3. However, overall responsibility for treasury management remains with full Council and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2018/19 on 26 February 2018. The Corporate Committee is responsible for monitoring treasury management activity and this is achieved through the receipt of quarterly reports. This report forms the 3rd quarterly monitoring report for 2018/19.
- 6.4. 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.

7. Contribution to Strategic Outcomes

- 7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1. As this report details a financial subject matter, finance comments are made throughout the content of this report.

Legal

8.2. 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.

Equalities

8.3. There are no equalities issues arising from this report.

9. Use of Appendices

Appendix 1 – Treasury Management Report Q3 2018/19

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Appendix 1 - Treasury Management Report Q3 2018/19

Introduction

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

The Authority's treasury management strategy for 2018/19 was approved at a full Council meeting on 26 February 2018. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Authority's treasury management strategy.

Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice; the local authority specific Guidance Notes for the Codes were published in July 2018. In England MHCLG published its revised Investment Guidance which came into effect from April 2018.

The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 25 February 2019.

External Context (provided by the Council's treasury management advisor, Arlingclose)

Economic background: After rising to over \$80/barrel around the middle of the year, oil prices fell back sharply by 25% to just over \$60 in December. UK Consumer Price Inflation (CPI) for November was up 2.3% year/year, in line with the consensus forecast and broadly in line with the Bank of England's November *Inflation Report*. The most recent labour market data for the three months to October 2018 showed the unemployment rate remained at 4.1% while the employment rate of 75.7% was the joint-highest estimate since comparable estimates began in 1971. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level likely to only have a modest impact on consumer spending.

The rise in quarterly GDP growth to 0.6% in the third calendar quarter from 0.4% in the second was due to weather-related factors boosting overall household consumption and construction activity over the summer. At 1.5%, annual GDP growth continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since.

The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in November while lowering its forecast of rate rises in 2019 to two from the three previously projected.

A temporary truce in the ongoing trade war between the US and China was announced as the leaders of both countries agreed to halt new trade tariffs for 90 days to allow talks to continue. Tariffs already imposed will remain in place. The fallout continues to impact on economic growth and stock market volatility.

With less than three months until Article 50 expires on 29th March 2019, the deal Theresa May

secured from the EU, together with the controversial Northern Ireland ‘backstop’, was brought in front of MPs in December to debate and ultimately vote on. Due to the level of opposition to the deal, the vote was subsequently delayed so Mrs May could seek clarification from the EU on how the withdrawal agreement could be ratified. EU leaders have been clear, however, that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

Financial markets: Investors wrestled with a range of global concerns: an economic slowdown in China, rising trade tensions between the US and China, a sharply lower oil price, slowing Euro area output and, of course, the ongoing uncertainty surrounding Brexit. December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. But spreads on corporate bonds also widened reflecting concerns about tougher economic conditions ahead and the abilities of corporates to service their debt obligations.

Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising to 1.30% in October, gilts regained their safe-haven status in December - the 5-year benchmark gilt yield fell as low as 0.82% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.59% to 1.06% and from 2.05% to 1.62%. The higher Bank Rate continued to push up money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.58%, 0.76% and 1.03% respectively over the period.

Credit background: Credit Default Swap (CDS) spreads drifted up over the period, reflecting the ongoing uncertainty around Brexit but continuing to remain low in historical terms. The spread on non-ringfenced bank NatWest Markets plc rose sharply to around 129bps while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 44bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 44 and 94 bps at the end of the period.

The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) is complete and the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) continues prior to starting trading as separate entities from 1st January 2019.

The Bank of England released its latest report on bank stress testing, illustrating that all entities tested were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

There were minimal credit rating changes during the period. Moody’s revised the outlook on Nationwide Building Society to negative from stable as it believes Nationwide may become more reliant on retail deposit funding going forward, reducing the volume of wholesale deposits and senior debt available to a level where only a two-notch uplift is warranted rather than the current three notches.

Our treasury advisor Arlingclose will continue to provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities’ flexibility

during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

Local Context

On 31st March 2018, the Authority had borrowing of £365.4m, and £45.9m of investments. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.18 Actual £m
General Fund CFR	343.3
HRA CFR	248.7
Total CFR	591.9
Less: *Other debt liabilities	-34.0
Borrowing CFR - comprised of:	557.9
- External borrowing	365.4
- Internal borrowing	192.6

* finance leases and PFI liabilities form part of the Authority's total debt

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 31st December 2018 and the change during the period is show in Table 2 below.

Table 2: Treasury Management Summary

	31.3.18 Balance £m	Movement £m	31.12.18 Balance £m	31.12.18 Rate %
Long-term borrowing	307.4	58.9	366.2	4.14
Short-term borrowing	58.0	-40.0	18.0	0.93
Total borrowing	365.4	18.9	384.2	3.99
Long-term investments	0.0	0.0	0.0	0.00
Short-term investments	10.0	30.0	40.0	0.79
Cash and cash equivalents	35.9	-19.1	16.9	0.71
Total investments	45.9	10.9	56.9	0.77
Net borrowing	319.4		327.4	

Borrowing Strategy during the period

At 31st December 2018 the Authority held £384.2m of loans, an increase of £18.9m from 31st March 2018, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st December are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.18	Net	31.12.18	31.12.18	31.12.18
	Balance	Movement	Balance	Weighted	Weighted
	£m	£m	£m	Average	Average
				Rate	Maturity
				%	(years)
Public Works Loan Board	182.4	58.9	241.2	3.83	27.59
Banks (LOBO)	125.0	0.0	125.0	4.72	41.44
Banks (fixed-term)	0.0	0.0	0.0	0	0
Local authorities (long-term)	0.0	0.0	0.0	0	0
Local authorities (short-term)	58.0	-40.0	18.0	0.93	0.37
Total borrowing	365.4	18.9	384.2	3.99	30.82

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

As the Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement, the Authority expected to carry out additional long term borrowing in 2018/19, and raised £70m of long term fixed rate loans from the PWLB in the first three quarters of the year, at an average rate of 2.57% which will provide longer-term certainty and stability to the debt portfolio. This borrowing was taken to fund the Council's growing underlying need to borrow from the capital programme, in conjunction with considerations around interest rates.

The Council has a significant capital programme, and a large proportion of this will be financed by borrowing, which the Council will have to undertake in coming years. The Council's treasury advisor, Arlingclose undertakes weekly 'cost of carry' analysis to inform the Council about whether it is financially beneficial to undertake borrowing now or to delay this for set time periods: given PWLB interest rate forecasts. Any borrowing which is taken to prior to capital expenditure taking place, and reducing internal borrowing, would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing, creating an immediate cost for revenue budgets.

The Council does not, at the time of writing, anticipate that any additional long term borrowing will be raised in 2018/19 due to the aforementioned borrowing transactions. However, the timing of new borrowing is somewhat dependent on the wider economic position of the UK. A significant 'known unknown' in future forecasting is the impact of Brexit, which may impact adversely on gilts, and therefore PWLB rates. The Council will therefore consider undertaking borrowing in the current year to reduce the extent of the Council's internal borrowing, and meet the cost of carry until future years' capital expenditure takes place, if this is affordable, prudent, and if there is intelligence that PWLB borrowing rates may to rise significantly. This is a matter that is under continual review by officers, and the Council's appointed treasury management advisor, Arlingclose.

LOBO loans: The Authority continues to hold £125m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the period.

Treasury Investment Activity

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the three quarters period, the Authority's investment balance ranged between £11.2 and £87.9 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investments Position

	31.3.18	Net	31.12.18	31.12.18	31.12.18
	Balance	Movement	Balance	Rate of Return	Weighted Average Maturity
	£m	£m	£m	%	days
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00	0.0
Money Market Funds	0.0	16.9	16.9	0.71	1.0
UK Government:					
- Local Authorities	10.0	30.0	40.0	0.79	41.1
- Debt Management Office	35.9	-35.9	0.0	0.00	0.0
Total investments	45.9	10.9	56.9	0.77	29.2

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The table below shows counterparty credit quality as measured by credit ratings on the final day of each quarter during the year. The table also shows the percentage of the in-house investment portfolio exposed to bail-in risk. Bail-in is the response to the government bail-outs in the global financial crisis, when a number of banks failed and received government bail-outs in 2008. Under bail-in, unsecured deposits made with certain financial institutions would be at risk, should the institution fail, and investors would lose a portion of their invested funds. The below table shows a snapshot at a point in time, and movements in the figures do not reflect changes in policy or strategy, but are indicative of the Council's cashflows on that particular date.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2018	3.14	AA	0%	70	0.36
31.12.2018	3.92	AA-	30%	29	0.77
Similar LAs	4.28	AA-	54%	102	0.87
All LAs	4.24	AA-	58%	34	0.81

Scoring:

-AAA = highest credit quality = 1

- D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Budgeted Income and Outturn

Treasury Investments generated an average rate of return of 0.63% in the first three quarters of the year. The Council's forecast investment income for the year is estimated at £298k against a budget of £136.5k.

Borrowing costs for 2018/19 are forecast at £15.0m (£10.3m HRA, £4.7m General Fund) against a budget of £15.7m (£10.0m HRA, £5.7m General Fund). The underspend forecast is due to a number of factors, including: the current lower interest rate environment reducing interest costs for the Council, and delays in the capital programme's delivery. Slippage in the Council's capital programme will reduce the borrowing requirement, and reduce this forecast.

Compliance

The Director of Finance (S151 Officer) reports that all treasury management activities undertaken during complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy Statement.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	Q3 Maximum	31.12.18 Actual	2018/19 Operational Boundary	2018/19 Authorised Limit	Complied?
Borrowing	384.2	384.2	568.4	618.4	Yes
PFI and Finance Leases	34.0	34.0	39.9	43.3	Yes
Total debt	418.2	418.2	608.3	661.6	Yes

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Risk:

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed was:

	31.12.18 Actual	2018/19 Limit	Complied?
Upper limit on fixed interest rate exposure	93.1%	100%	Yes
Upper limit on variable interest rate exposure	6.9%	60%	Yes

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.12.18 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	26.4%	60.0%	0.0%	Yes
12 months and within 24 months	1.9%	40.0%	0.0%	Yes
24 months and within 5 years	16.4%	40.0%	0.0%	Yes
5 years and within 10 years	4.9%	40.0%	0.0%	Yes
10 years and within 20 years	8.4%	40.0%	0.0%	Yes
20 years and within 30 years	10.4%	40.0%	0.0%	Yes
30 years and within 40 years	16.1%	50.0%	0.0%	Yes
40 years and within 50 years	15.5%	50.0%	0.0%	Yes
50 years and above	0.0%	40.0%	0.0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 1 year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2018/19	2019/20	2019/21
Actual principal invested beyond year end	-	-	-
Limit on principal invested beyond year end	£10m	£10m	£10m
Complied?	Yes	Yes	Yes

Outlook for the remainder of 2018/19

Having raised rates by 0.25% in November to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon. The MPC has a bias towards tighter monetary policy as its members consider that tight labour markets will prompt inflationary pressure in the future, ultra-low interest rates result in other economic problems, and higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.

Arlingclose's central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. However, recent events around Brexit have dampened interest rate expectations and the risks are weighted to the downside. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. The Bank of England will hold at or reduce interest rates from current levels if serious Brexit risks materialise.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.13
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-0.85

Gilt yields have remained at low levels. Arlingclose expects some upward movement from current level but a projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

Report for: Corporate Committee 26 March 2019

Title: Update on 2017/18 Audit and Audit Plan 2018/19

Report authorised by: Jon Warlow, Director of Finance (S151 Officer)

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

- 1.1. This report updates the Committee on the Council's plan for the audit of the Statement of Accounts for 2018/19, and provides some updates requested by the Committee at the previous meeting which relate to the prior year (2017/18) audit.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Committee notes the contents of this report and any further oral updates given at the meeting by BDO LLP.

4. Reason for Decision

- 4.1. None.

5. Other options considered

- 5.1. None.

6. Background information

- 6.1. The audit plan will be presented by Leigh Lloyd Thomas the Audit Partner from BDO. The plan sets out the approach the auditors will take, the key issues, timescales, staffing and fee for the audit. The audit plan is appended to this report at Appendix 1.

- 6.2. Officers will provide the auditors with all necessary information during the audit which will take place during June and July. BDO will then report back to the Corporate Committee in July on their findings and any recommendations.
- 6.3. The preparation and audit of the annual statement of accounts is a statutory requirement of the Accounts and Audit (England) Regulations 2015. The draft accounts must be prepared and certified by 31st May by the Section 151 Officer that they represents a true and fair view of the financial position of the Council.
- 6.4. Members will note that the timescales for the audit and committee sign off of accounts and has moved forward from 30 September, to 31 July compared to prior years. This is the second year of the brought forward timescales, and was a legislative requirement which began from 2017/18 onwards. The Council's Statement of Accounts must be submitted to the external auditor by 31 May (previously 30 June), and the audit and committee sign off has moved forward to 31 July (previously 30 September.) The Council met these timescales last year, however they remain challenging.
- 6.5. The content of the Statement of Accounts is largely determined by statutory requirements and mandatory professional standards as set out within the "Code of Practice on Financial Reporting" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS), however adopts these in some cases to tailor their application to Local Government Finance.

Updates on items highlighted in the 2017/18 Audit

- 6.6. In the Corporate Committee meeting of 5 February 2019, members requested updates from officers on two issues highlighted in the prior year's audit.

Fixed assets update

- 6.7. The audit completion report presented to the Corporate Committee in July and September 2018 noted some minor issues regarding the data held in the council's asset register. This included issues such as:
 - 6.7.1. The floor areas of some assets being inaccurate/outdated
 - 6.7.2. There was one asset from the auditor's test which was mistakenly classified as Investment Property instead of 'Other land and buildings'
 - 6.7.3. There was one duplicate entry found in the asset register
 - 6.7.4. One property which was in the process of being purchased at the year end, but not completed until after the year end was not recognised as a prepayment

- 6.7.5. Some expenditure recognised under assets under construction which related to works to existing assets, had not added value, and resulted in an impairment being required.
 - 6.7.6. Premises of one school that the Council funds but does not own were erroneously included in the asset register
- 6.8. BDO made a number of recommendations that the Council agreed with regarding management and maintenance of the Council's asset register, around areas such as the input of new assets, review of existing data held, and the classification of assets in the assets under construction and investment properties. The Council's processes have been reviewed, in light of the above findings. Officers hope that the audit for 2018/19 will ultimately highlight a positive direction of travel, however, given that the Council owns over 15,000 individual assets, audits are always likely to highlight some areas for improvement.

Social Care Accruals

- 6.9. The audit completion report presented to the Corporate Committee in July and September 2018 noted that in prior years, adult social care costs had been under accrued for. Audit testing highlighted discrepancies of £16k, which was then extrapolated across all payments to £2.4m. Officers have noted that delays in payments do occur across the Council's c. 3,500 clients receiving support for adult social care for reasons such as:
- 6.9.1. Backdated care package adjustments
 - 6.9.2. Delays in the set up of vendors due to procurement procedures
 - 6.9.3. Delays in negotiation of complex service provision for clients. This may mean that the council disagrees with the level of service provided based on the original agreement, but is subject to the varying levels of support needed on a daily level by clients.
 - 6.9.4. Delays in invoicing from service providers, many of whom are small organisations who struggle with financial literacy.
- 6.10. The service have confirmed that these issues have had no impact on the actual care packages received by social care recipients.
- 6.11. The final audit report for 2017/18 confirmed that this issue was not considered to be material, and nor did it impact on the General Fund balance.
- 6.12. Finance have completed a review of the accruals process in adults social care: the processes for calculating accruals differ for different parts of the service, and are tailored to the specific nature of each service. A piece of work was completed to compare prior year accruals to actual amounts paid, and this found that on a global level, the accrual made matched the expenditure incurred in 2018/19 that related to prior years. Officers therefore believe we have assurance as to the integrity and robustness of the financial reporting in this area.

7. Contribution to Strategic Outcomes

7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1. As this report details a financial subject matter, finance comments are made throughout the content of this report.

Legal

8.2. The Council is a category 1 authority and must comply with the requirements of the relevant Regulations of the Accounts and Audit Regulations 2015 when preparing a statement of accounts. Members should note the content of this report and the progress made on those matters highlighted in the BDO external audit report. 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. The report does not raise any legal issues.

Equalities

8.3. There are no equalities issues arising from this report.

9. Use of Appendices

Appendix 1 – Audit Plan from BDO

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.



Report to the Corporate Committee

LONDON BOROUGH OF HARINGEY COUNCIL

Audit Planning: year ending 31 March 2019

IDEAS | PEOPLE | TRUST



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WELCOME

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We have pleasure in presenting our Audit Planning Report to the Corporate Committee of London Borough of Haringey Council (the 'Council'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ending 31 March 2019 in respect of our audit of the financial statements of the Council and consolidated entities (together the 'group') and use of resources; comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

We look forward to discussing this plan with you at the Corporate Committee meeting on 26 March 2019 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.



Leigh Lloyd-Thomas

11 March 2019



Leigh Lloyd-Thomas

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This report has been prepared solely for the use of the Corporate Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

SCOPE AND MATERIALITY

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This summary provides an overview of the key audit matters that we believe are important to the Corporate Committee in reviewing the planned audit strategy for the Council and Group for the year ending 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

Audit scope

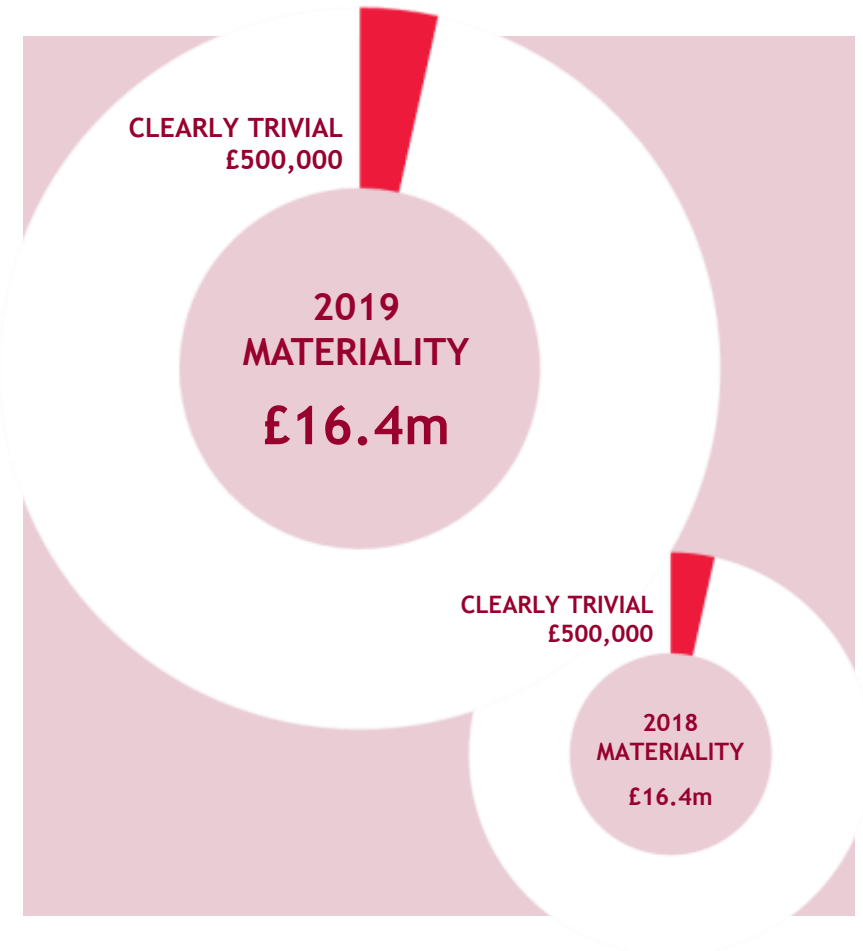
The scope of the audit is determined by the NAO's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties.

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the NAO.

Materiality

Planning materiality for the Council and Group will be set at 1.5% of average gross expenditure for the year (prior year 1.5%) using the prior year gross expenditure. This will be revisited when the draft financial statements are received for audit.

Although materiality is the judgement of the audit partner, the Corporate Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.



AUDIT STRATEGY

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Our Audit Strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher, or where there is a risk that the organisation has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

We have discussed the changes to the organisation, systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the Group's activities and to determine which risks impact on the numbers and disclosures in the financial statements, or on its arrangements for securing economy, efficiency and effectiveness in its use of resources.

A lower level of materiality is applied to the areas of the financial statements that are considered to be sensitive, such as senior management remuneration disclosures, auditor's remuneration disclosures and related party disclosures.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

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Risk identified - financial statements	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Revenue (and expenditure) recognition	Significant	Yes	Substantive	Medium
Property, plant & equipment and Investment property valuations	Significant	No	Substantive	High
Pension liability valuation	Significant	No	Substantive	High
Completeness and accuracy of fixed asset register	Normal	No	Substantive	Low
Allowance for non-collection of receivables	Normal	No	Substantive	Medium
Related party transactions	Normal	No	Substantive	Low
Classification and measurement of financial instruments (IFRS 9)	Normal	No	Substantive	Medium
Revenue from contracts with customers (IFRS 15)	Normal	No	Substantive	Medium
Risk identified - Use of resources	Risk rating	Testing approach		
Sustainable finances	Significant	Detailed review		

INDEPENDENCE AND FEES

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Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

Fees

	2018/19 £	2017/18 £
Code audit fees	(1) 158,986	(2) 226,559
Total audit fees	158,986	226,559
Non audit fees		
- Housing Benefit Subsidy certification	38,223	38,223
- Teachers' Pension return certification	3,500	(3) 3,500
- Pooling Housing Capital Receipts return certification	3,500	(3) 3,500
Non audit fees	45,223	45,223
Total fees	204,209	271,782

(1) PSAA has set the 2018/19 fee scale on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

(2) The planned Code audit fee for 2017/18 was £206,475. Due to additional work in response to additional audit risks we have agreed with management and PSAA to raise a supplementary invoice for £20,084, for a final audit fee of £226,559.

(3) Work is in progress following delays in obtaining required documentation.

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Key components of our audit objectives and strategy for the Group are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the NAO.
Financial statements	We will express an opinion on the Council and Group financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2018/19 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information contained in the Statement of Accounts to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
Use of resources	We will report where we consider that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
WGA	We will review the Whole of Government Accounts (WGA) return and express an opinion on the return whether it is consistent with the audited financial statements.
Additional powers and duties	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to the Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Report to the Corporate Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the Corporate Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.

AUDIT SCOPE ENTITIES, COMPONENTS AND AUDIT RISKS

A high-level overview of how we have designed the Group audit strategy is summarised below to ensure you have clear oversight of the scope of the work we intend to perform on each entity.

Entity	Nature of Operations	Audit classification	Reason for classification	Audit Risks*	Component Materiality	Audit strategy
London Borough of Haringey	Provides full range of local authority services	Significant	Size and Risk	Risk 1 - 10	£16.3m	Statutory audit performed by BDO LLP
Homes for Haringey Limited	Manages Haringey council housing	Non significant component	Size	Risks 8 and 9	£5m	Statutory audit performed by PricewaterhouseCoopers LLP
Alexandra Park and Palace Charitable Trust Limited	Manages the Park and Palace	Non significant component	Size	Risks 8 and 9	£5m	Statutory audit performed by haysmacintyre

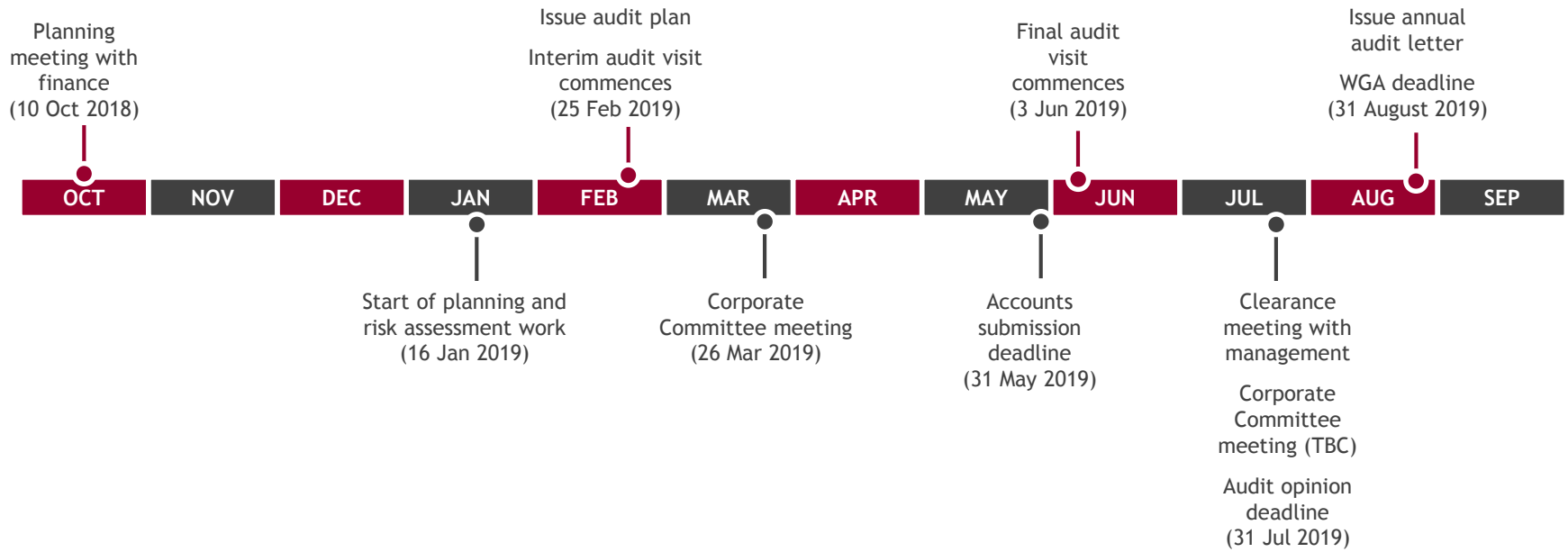
We have set materiality levels for each component by reference to the Group materiality and to address the risk of misstatements in each component impacting on the Group financial statements. Each component auditor will apply a materiality level for each component financial statements at a lower level than our Group component materiality.

* The risk descriptions are on pages 12 and 13

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AUDIT TIMELINE

An overview of the key dates



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BDO TEAM

Team responsibilities

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Leigh Lloyd-Thomas
Engagement Lead

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As audit engagement lead I have primary responsibility to ensure that the appropriate audit opinions are given.

In meeting this responsibility I ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I will ensure that we have undertaken sufficient work to assess the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources against the guidance published by the NAO.

I am responsible for the overall quality of the engagement and am supported by the rest of the team as set out here.



Simiso Ngidi
Audit Manager

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I will lead on the audit of the Council.

I work closely with Leigh to develop and execute the audit strategy. I will be a key point of contact on a day to day basis for the Council and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to management and the Corporate Committee are highlighted on a timely basis.

OVERVIEW

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements or impact on our use of resources conclusion and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

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Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls			ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
2. Revenue (and expenditure) recognition			There is risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES). There is also a risk of manipulation of expenditure recognition by inappropriately deferring expenditure by including expenditure in the following year.
3. Property, plant & equipment and Investment property valuations			There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.
4. Pension liability valuation			There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.
5. Completeness and accuracy of fixed asset register			We identified numerous errors in previous years in relation to completeness and accuracy of the fixed assets register. Errors included duplications and incorrect treatment of transactions.
6. Allowance for non-collection of receivables			There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied. The implementation of IFRS 9 financial instruments has also changed the basis for estimating losses for non-collection of receivables and debt from an incurred loss model to an expected credit loss model that takes in account assumptions about the future credit losses. However, this includes only receivables and debt deemed to be financial instruments and excludes receivables under statute such as council tax, NDR and parking charges that CIPFA has stated will continue to be accounted for on an incurred loss model.

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Description of risk	Significant risk	Normal risk	Overview of risk
7. Related party transactions			There is a risk that related party disclosures are not complete and in accordance with the Code of Practice on Local Authority Accounting requirements.
8. Classification and measurement of financial instruments (IFRS 9)			There is a risk that relevant financial assets and liabilities of the Council are not classified and measured in accordance with the new accounting standard. There is also the risk that the components entities, who report under UK GAAP, may not have undertaken a review for potential consolidation adjustments for their financial instruments to comply the new standard in the Group financial statements.
9. Revenue from contracts with customers (IFRS 15)			There is a risk that relevant revenue streams of the Council are not recognised in the financial statements in accordance with the new standard. There is also the risk that the component entities, who report under UK GAAP, may not have undertaken a review for potential consolidation adjustments to their revenue recognition policies to comply with the new standard in the Group financial statements.
10. Sustainable finances			The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

MANAGEMENT OVERRIDE OF CONTROLS

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ISA (UK) 240 presumes that Management is in a unique position to perpetrate fraud.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

ISA (UK) 240 - The auditor’s responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Planned audit approach

Our audit procedures will include the following:

- Review and verification of large and unusual journal entries made in the year, agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction;
- Review of estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.



REVENUE (AND EXPENDITURE) RECOGNITION

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Under auditing standards there is a presumption that income recognition presents a fraud risk.

Risk detail

Under auditing standards there is a presumption that there is a risk of fraud in revenue recognition. In particular, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to cut-off of expenditure, where testing will be focussed.

Significant risk	■
Normal risk	
Fraud risk	■
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	■
Risk highlighted by Council	

Planned audit approach

Our audit procedures will include the following:

- Test a sample of grants included in income to documentation from grant paying bodies and check whether recognition criteria have been met; and
- Test a sample of expenditure either side of year end, to confirm that expenditure has been recorded in the correct period and that all expenditure that should have been recorded at year end has been.

PROPERTY, PLANT & EQUIPMENT AND INVESTMENT PROPERTY VALUATIONS

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There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

Local authorities are required to ensure that the carrying value of land, buildings, dwellings and investment properties is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.

The Council engages a valuation expert to value these assets on an annual basis. The assets will be valued as at 31 January 2019 and updated where there are significant movements at the end of the year.

Due to the significant value of the Council's land, buildings, dwellings and investment properties and the high degree of estimation required, there is a risk over the valuation of these assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.

Planned audit approach

Our audit procedures will include the following:

- Review the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirm that the basis of valuation for assets valued in year is appropriate based on their usage;
- Review accuracy and completeness of asset information provided to the valuer such as rental agreements and land plot / building sizes; and
- Review assumptions used by the valuer and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual.

PENSION LIABILITY VALUATION

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There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	■
Normal risk	—
Fraud risk	—
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	■
Controls testing approach	—
Substantive testing approach	■
Risk highlighted by Council	—

Risk detail

The net pension liability comprises the Council and Group’s share of the market value of assets held in the pension fund and the estimated future liability to pay pensions.

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Planned audit approach

Our audit procedures will include the following:

- Agree the disclosures to the information provided by the pension fund actuary;
- Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Review the controls for providing accurate membership data to the actuary; and
- Check whether any significant changes in membership data have been communicated to the actuary.

COMPLETENESS AND ACCURACY OF FIXED ASSET REGISTER

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There is a risk the fixed asset register is not complete and accurate as a result of errors found in previous audits

Risk detail

We identified numerous errors in previous years in relation to completeness and accuracy of the fixed assets register. Errors included duplications and incorrect treatment of transactions.

Planned audit approach

Our audit procedures will include the following:

- Comparing the fixed asset register to the valuers' report and obtaining explanations for any discrepancies;
- Review instructions and detailed information provided by the Council to the valuer and perform procedures to confirm accuracy and completeness of the information; and
- Testing an increased sample of additions, disposals and revaluations to confirm correct treatment in the asset register.

Significant risk	
Normal risk	■
Fraud risk	
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	■
Risk highlighted by Council	

ALLOWANCE FOR NON-COLLECTION OF RECEIVABLES

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There is a risk over the valuation of the allowance for the non-collection of arrears and debt.

Significant risk
Normal risk
Fraud risk
Assess design & implementation of controls to mitigate
Significant Management estimates & judgements
Controls testing approach
Substantive testing approach
Risk highlighted by Council

Risk detail

The Council recognises an allowance for the non-collection of receivables (arrears and debt), primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking charges. The Council assesses each type of receivable separately in determining how much to allow for non-collection.

There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

The implementation of IFRS 9 financial instruments has also changed the basis for estimating losses for non-collection of receivables and debt from an incurred loss model to an expected credit loss model that takes in account assumptions about the future credit losses. However, this includes only receivables and debt deemed to be financial instruments and excludes receivables under statute such as council tax, NDR and parking charges that CIPFA has stated will continue to be accounted for on an incurred loss model.

Planned audit approach

Our audit procedures will include the following:

- Review the provision model for significant income streams and receivables and debt balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears and, for receivables classified as financial instruments, includes appropriate assumptions for expected credit losses.

RELATED PARTY TRANSACTIONS

There is a risk that related party disclosures are not complete and in accordance with the Code of Practice on Local Authority Accounting 2018/19 requirements.

Risk detail

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Corporate Committee.

There is a risk that related party disclosures are not complete and in accordance with the Code of Practice on Local Authority Accounting requirements.

Planned audit approach

Our audit procedures will include the following:

- Review management processes and controls to identify and disclose related party transactions;
- Review relevant information concerning any such identified transactions;
- Discuss with management and review councillors' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertake Companies House searches for potential undisclosed interests.

Significant risk	
Normal risk	■
Fraud risk	
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	■
Risk highlighted by Council	

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CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (IFRS 9)

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There is a risk that financial instruments are not classified and measured in accordance with IFRS9.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and loans provided to others) and liabilities (principally borrowing) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.

CIPFA has published guidance to assist with the required review and any restatement required where the classification needs to be amended. Our initial review of investments and borrowings suggests that there are unlikely to be material restatements required for the Council.

The Council will need to undertake a review of all relevant assets and liabilities to determine the appropriate classification in the financial statements. This will need to include both the Council and component entities in the Group financial statements, who report under UK GAAP rather than IFRS as this new accounting standard has not yet been adopted into UK GAAP. There is a risk that relevant financial assets and liabilities are not classified and measured in accordance with the new accounting standard. There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the requirement of the new standard.

Planned audit approach

Our audit procedures will include the following:

- Review the work performed by the Council, once undertaken, to assess the new classification of financial instruments in accordance with the guidance on both the Council and the component bodies in the Group; and
- Review the disclosures required relating to the adoption of the new accounting standard.

REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

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There is a risk that revenue from contracts with customers is not measured in accordance with IFRS 15.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

Risk detail

IFRS 15 revenue from contracts with customers has been implemented for 2018/19 and requires all relevant revenue streams to be reviewed under a new '5-step model' to determine the appropriate point at which revenue can be recognised.

CIPFA has published guidance to assist with the required review including what revenue falls within IFRS 15 or IPSAS 23 revenue from non-exchange transactions, and the process for determining the correct recognition points and amounts for revenue. Our initial review of revenue streams for local authorities suggests that there are unlikely to be material restatements required for the Council.

The Council will need to undertake a review of all relevant revenue streams to determine the appropriate recognition date and amounts in the financial statements. This will need to include both the Council and component entities in the Group financial statements, who report under UK GAAP rather than IFRS as this new accounting standard has not yet been adopted into UK GAAP. There is a risk that relevant revenue streams are not recognised in the financial statements in accordance with the new standard. There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the requirement of the new standard.

Planned audit approach

Our audit procedures will include the following:

- Review the work performed by the Council, once undertaken, to assess the impact of the new '5-step model' on revenue streams on both the Council and the component bodies in the Group; and
- Review the disclosures required relating to the adoption of the new accounting standard.

SUSTAINABLE FINANCES

The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

Significant risk	█
Normal risk	—
Fraud risk	—
Assess design & implementation of controls to mitigate	—
Significant Management estimates & judgements	—
Controls testing approach	—
Detailed review	█
Risk highlighted by Council	█

Risk detail

In February 2019, the Council set a Medium Term Financial Strategy (MTFS) covering the period 2019 to 2024. The MTFS for this period identified a cumulative funding shortfall of £50.4m. The MTFS assumes savings of £5.9m (after write-off of £9.8m savings) for 2018/19 will be delivered for a balanced budget.

The Council has identified savings plans for 2019/20 and a programme of savings to address the budget gaps from 2020/21 to 2023/24. Any shortfall in the delivery of the savings will have an impact on future projected deficits. The savings targets are significant and achievement of these inherently challenging.

At month 9 (December 2018) the Council is projecting a full year deficit of £9.1m. This is mainly attributed to the non-achievement of savings (£10.8m) and significant pressures on Adults (£4.7m) and Children (£6.4m).

The current MTFS covering 2019/20 to 2023/24 identified a funding gap of £19.2m for 2019/20 which will be closed through drawdown of reserves (£5.5m) and savings (£13.7m).

Planned audit approach

Our audit procedures will include the following:

- Review the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied;
- Monitor the delivery of the budgeted savings in 2018/19 and the plans to reduce services costs and increase income from 2019/20; and
- Review the strategies to close the budget gap in the coming years.

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Fraud

Whilst the Director of Finance has ultimate responsibility for prevention and detection of fraud, and councillors have a duty to ensure there are adequate controls to reduce losses to fraud and corruption, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of Management and those charged with governance.

We have been made aware of a number of low value actual, alleged or suspected incidences of fraud committed by users of the Council's services (misuse of blue badges, benefits fraud, RTB discounts, sublet of housing, claiming of council tax or NDR reliefs etc.). We request confirmation from the Corporate Committee that all actual, alleged or suspected fraud they are aware of has been reported and a discussion on the controls and processes in place to ensure timely identification and action.

Significant estimates

We will report to you on significant estimates. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historic judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

Laws and regulations

We will consider compliance with Laws and regulations. The most significant of these for your business includes VAT legislation and Employment Taxes. We will make enquiries of management and review correspondence with the relevant authorities. Specialist teams within BDO will review VAT and employment tax compliance.

Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other directions under the circumstances.

Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

IT GENERAL CONTROLS

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IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.

We will also obtain an understanding of the information system, including the related business processes relevant to financial reporting, to include:

- SAP ERP
- Moasic
- Northgate.



INDEPENDENCE

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Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ending 31 March 2019.

Non-audit services

Details of services, other than audit, provided by us to the Council and Group during the period and up to the date of this report are set out in the appendices.

Details of rotation arrangements for key members of the audit team and others involved in the engagement are set out in the appendices.

Details of other threats and safeguards applied are given in the appendices.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

SUMMARY

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Fees summary for year ending 31 March 2019

	2018/19 £	2017/18 £
Code audit fees	⁽¹⁾ 158,986	⁽²⁾ 226,559
Total audit fees	158,986	197,262
Non audit fees		
- Housing Benefit Subsidy certification	38,223	38,223
- Teachers’ Pension return certification	3,500	⁽³⁾ 3,500
- Pooling Housing Capital Receipts return certification	3,500	⁽³⁾ 3,500
Non audit fees	45,223	45,223
Total fees	204,209	271,782

⁽¹⁾ PSAA has set the 2018/19 fee scale on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms’ costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

⁽²⁾ The planned Code audit fee for 2017/18 was £206,475. Due to additional work in response to additional audit risks we have agreed with PSAA and management to raise a supplementary invoice for £20,084, for a final audit fee of £226,559.

⁽³⁾ Work is in progress following delays in obtaining required documentation.

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Financial reporting

The Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Council accounts for its stewardship and use of the public money at its disposal.

The form and content of the Council’s financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Council is also required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury’s Whole of Government Accounts.

The Section 151 Officer is responsible for preparing and publishing the Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

Use of resources

Councils are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement.

In preparing its governance statement, the Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

OUR RESPONSIBILITIES

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Our responsibilities and reporting - financial statements

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidated and the Council's financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

Our responsibilities and reporting - use of resources

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This means that we have regard to relevant guidance issued by the NAO and undertake sufficient work to be able to satisfy ourselves as to whether the Council has put arrangements in place that support the achievement of value for money.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Council and Corporate Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



COMMUNICATION WITH YOU

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Those Charged with Governance

References in this report to Those Charged With Governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Corporate Committee.

In communicating with the Corporate Committee, representing Those Charged With Governance of the Council and the Group, we consider Those Charged With Governance of subsidiary entities to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

Communication, Meetings and Feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Planning Report

The Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the Report.

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These tables indicate the latest rotation periods normally permitted under the independence rules of the terms of appointment by PSAA.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place before
Leigh Lloyd-Thomas Partner	4	5 years (last year will be 2019/20)
Simiso Ngidi Audit manager	2	10 years

Independence - audit quality control

Role	Number of years involved	Rotation to take place before
Engagement Quality Control Reviewer	2	7 years

MATERIALITY: DEFINITION AND APPLICATION

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Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Compliance with loan covenants
- Instances when greater precision is required (e.g. senior managers remuneration and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the Group, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the Group financial statements.

Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

MATERIALITY: DEFINITION AND APPLICATION

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If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Corporate Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

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BDO's audit quality cornerstones underpin the firm's definition of audit quality.

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at www.bdo.co.uk



FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7983 2616

e: leigh.lloyd-thomas@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

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Report for: Corporate Committee – 26 March 2019

Item number:

Title: Internal Audit Progress Report 2018/19 – Quarter 3

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Minesh Jani, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: minesh.jani@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Information

1. Describe the issue under consideration

1.1 This report details the work undertaken by Internal Audit in the quarter ending 31 December 2018 and focuses on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised – work undertaken by the external provider (Mazars).

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the audit coverage and follow up work completed.

4. Reasons for decision

4.1 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.

4.2 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 annual audit plan. Where further action is required or recommended, this is highlighted with appropriate recommendations for the Corporate Committee.

5. Alternative options considered

5.1 Not applicable.

6. Background information

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

7. Contribution to strategic outcomes

7.1 The internal audit work makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

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 to 31 March 2023, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. The maintenance of a strong internal audit function and a proactive and reactive fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal

The Assistant Director of Corporate Governance has been consulted in the preparation of this report and advises that there are no direct legal implications arising from the report.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

As contracted providers of Haringey Council, the internal audit contractor is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010. Ensuring that the Council has effective internal audit and assurance arrangements in place will also assist the Council to use its available resources more effectively.

9. Use of Appendices

Appendix A – Mazars Progress report – Internal audit

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.

11. Performance Management Information

- 11.1 Although there are no national or Best Value Performance Indicators, 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 – Performance Indicators

Ref.	Performance Indicator	3rd Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	60%	62%	95%
2	Priority 1 recommendations implemented at follow up	N/A	N/A	95%

12. Internal Audit work – Mazars

- 12.1 The activity of Mazars for the third quarter of 2018/19 is detailed at Appendix A. Mazars planned to deliver 437 days of the annual audit plan (727 days) during the quarter and delivered 453 days audit work during the quarter, which was slightly more than planned. The audit plan for quarter 4 includes the audit of the Council's key financial systems which makes up 15% of the audit plan and is planned for quarter 4.
- 12.2 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. Detailed summaries of reports with a limited assurance are included in Appendix A for information.
- 12.3 **Significant issues arising in Quarter 3**
Grievance Management
 The ACAS Code of Practice defines grievance as distresses, complaints or difficulties that employees raise with their employer. These include working relationships or general treatment at work and working hours. The grievance procedure provides employees with a course of action should they have a complaint (which they are unable to resolve through regular communication with their line manager), and to provide points of contact and timescales to resolve issues of concern.

The audit highlighted a number of weaknesses in the control environment. The audit noted the Grievance procedures were last formally reviewed in 2012. It is good practice for procedures to be reviewed regularly; the service is carrying out its review and will report this to the Staffing and Remunerations Committee. The audit also highlighted weaknesses in the training Investigation Officers and the reporting of grievances to senior management.

Homelessness Reduction

Haringey Council has a statutory responsibility to manage homelessness within the borough which includes to reduce the number of homelessness households

residing in temporary accommodation. As part of this responsibility, Homes for Haringey is responsible for managing Haringey's council housing demand. The Homelessness Reduction Act came into effect April 2018 and guidance was issued by government in December 2017. As a result of the implementation of the new act, there are a number of key aspects that will modify homelessness prevention.

The audit noted that arrangements had yet to be made to develop guidance around "Duty to Refer" that can be disseminated with Council stakeholders. The government plans to issue its own guidance which the service will adapt locally. This impacted upon the service developing local pathways with local partners and a delivery plan for implementing new procedures. The audit also noted the need to set up strategic performance indicators to allow effective monitoring of the service including assessing the performance of the Council's ALMO.

Facilities – Contract Management

In November 2015, the Council's Facilities Management function was outsourced to Amey Community Ltd under a 5-year contract. This was as an additional service modelled on a total facilities management contract with Westminster, Hammersmith and Fulham and Kensington and Chelsea Councils. Under the contract, Amey Community Ltd provide planned maintenance services to 60 Council Buildings and a helpdesk service for the Council's operational and commercial estate. In addition, the Amey provides security, reception and more recently cleaning services. For these services, the contractor receives a monthly fixed fee of £260,000 (excluding cleaning and additional works).

The audit highlighted areas where improvements can be made to the contract management of the facilities management contract. The main points raised included the need to make sure appropriate risk assessments were carried out to determine the criticality of the service and of staff working in council buildings. The audit also highlighted instances where the contract deliverables were not being monitored, for example ensuring annual satisfactions are carried out and that performance information is received and checked.

**Internal Audit
Quarter 3 Internal Audit Report
2018/19
London Borough of Haringey**

March 2019

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Executive Summary

Introduction

This is our third report to the Corporate Committee for the 2018/19 financial year including details of all reports which have reached final stage since our last report. The report provides information on assurance opinions on areas we have reviewed 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 areas is included for information where appropriate. Full copies of our audit reports will be provided 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 3 2018/19:

2018/19 Internal Audit Reports finalised in the quarter:

- Grievance Management
- Delayed Transfer of Care
- Procurement Portal
- Facilities Management - Contract Management
- Housing Benefit Overpayments
- Homelessness Reduction

2018/19 Schools Audit Reports Finalised in the quarter

- Park View Secondary School
- The Willow Primary School
- Chestnuts Primary School
- St James C of E Primary School
- South Harringay Infant School
- Rowland Hill Nursery

2018/19 Draft Internal Audit Reports issued this quarter

- Debt Recovery
- Foster Carer Payments
- Adam Platform
- New Build Advisory Report
- Hays Contract
- Accounts Payable

Audit Progress and Detailed Summaries

The following table sets out the audits finalised in Quarter 3 of 2018/19 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.

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
2018/19							
Grievance Management	July 18	Dec 18	Limited	N/A	3	6	1
Delayed Transfers of Care	July 18	Dec 18	Substantial	N/A	1	4	0
HCPS – Procurement portal	May 18	Dec 18	Substantial	N/A	1	3	3
Homelessness Reduction	July 18	Dec 18	Limited	N/A	1	3	0
Facilities Management Contract	June 18	Dec 18	Limited	N/A	1	6	0
Housing Benefit Overpayments	July 18	Nov 18	Substantial	N/A	0	1	1

As part of the 2018/19 Internal Audit Plan we have visited the following schools, completed a probity audit and issued a final report in quarter 3.

School	Date of Audit	Date of Final Report	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
2018/19						
Park View Secondary School	Oct 18	Dec 18	Substantial	0	5	7
The Willow Primary School	Nov 18	Dec 18	Substantial	0	2	6
Chestnuts Primary School	Oct 18	Jan 19	Limited	0	9	6
St James C of E Primary School	Oct 18	Jan 19	Limited	1	12	4
South Haringay Infant School	Nov 18	Dec 18	Substantial	0	6	4
Rowland Hill Nursery	Oct 18	Nov 18	Substantial	0	1	4

Statement of Responsibility

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

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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. 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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Mazars LLP
London
February 2019

In this document references to Mazars are references to Mazars LLP.

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Report for: Corporate Committee – 26 March 2019

Title: Internal Audit Progress Report 2018/19 – Quarter 3

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Minesh Jani, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: minesh.jani@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision: Information**

1. Describe the issue under consideration

1.1 This report details the work undertaken by Internal Audit in the quarter ending 31 December 2018 and focuses on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised – work undertaken by the external provider (Mazars).

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the audit coverage and follow up work completed.

4. Reasons for decision

4.1 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.

4.2 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 annual audit plan. Where further action is required or recommended, this is highlighted with appropriate recommendations for the Corporate Committee.

5. Alternative options considered

5.1 Not applicable.

6. Background information

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

7. Contribution to strategic outcomes

- 7.1 The internal audit work makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

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 to 31 March 2023, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. The maintenance of a strong internal audit function and a proactive and reactive fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal

The Assistant Director of Corporate Governance has been consulted in the preparation of this report and advises that there are no direct legal implications arising from the report.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

As contracted providers of Haringey Council, the internal audit contractor is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010. Ensuring that the Council has effective internal audit and assurance arrangements in place will also assist the Council to use its available resources more effectively.

9. Use of Appendices

Appendix A – Mazars Progress report – Internal audit

10. Local Government (Access to Information) Act 1985

- 10.1 Not applicable.

11. Performance Management Information

- 11.1 Although there are no national or Best Value Performance Indicators, 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 – Performance Indicators

Ref.	Performance Indicator	3rd Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	60%	62%	95%
2	Priority 1 recommendations implemented at follow up	N/A	N/A	95%

12. Internal Audit work – Mazars

- 12.1 The activity of Mazars for the third quarter of 2018/19 is detailed at Appendix A. Mazars planned to deliver 437 days of the annual audit plan (727 days) during the quarter and delivered 453 days audit work during the quarter, which was slightly more than planned. The audit plan for quarter 4 includes the audit of the Council's key financial systems which makes up 15% of the audit plan and is planned for quarter 4.
- 12.2 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. Detailed summaries of reports with a limited assurance are included in Appendix A for information.
- 12.3 **Significant issues arising in Quarter 3**
Grievance Management
 The ACAS Code of Practice defines grievance as distresses, complaints or difficulties that employees raise with their employer. These include working relationships or general treatment at work and working hours. The grievance procedure provides employees with a course of action should they have a complaint (which they are unable to resolve through regular communication with their line manager), and to provide points of contact and timescales to resolve issues of concern.

The audit highlighted a number of weaknesses in the control environment. The audit noted the Grievance procedures were last formally reviewed in 2012. It is good practice for procedures to be reviewed regularly; the service is carrying out its review and will report this to the Staffing and Remunerations Committee. The audit also highlighted weaknesses in the training Investigation Officers and the reporting of grievances to senior management.

Homelessness Reduction

Haringey Council has a statutory responsibility to manage homelessness within the borough which includes to reduce the number of homelessness households

residing in temporary accommodation. As part of this responsibility, Homes for Haringey is responsible for managing Haringey's council housing demand. The Homelessness Reduction Act came into effect April 2018 and guidance was issued by government in December 2017. As a result of the implementation of the new act, there are a number of key aspects that will modify homelessness prevention.

The audit noted that arrangements had yet to be made to develop guidance around "Duty to Refer" that can be disseminated with Council stakeholders. The government plans to issue its own guidance which the service will adapt locally. This impacted upon the service developing local pathways with local partners and a delivery plan for implementing new procedures. The audit also noted the need to set up strategic performance indicators to allow effective monitoring of the service including assessing the performance of the Council's ALMO.

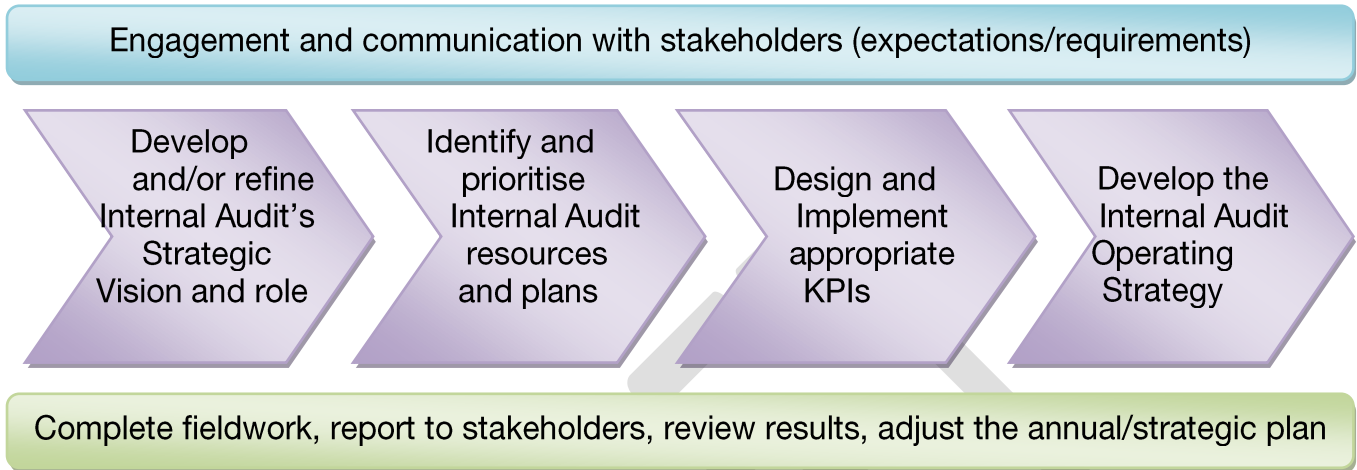
Facilities – Contract Management

In November 2015, the Council's Facilities Management function was outsourced to Amey Community Ltd under a 5-year contract. This was as an additional service modelled on a total facilities management contract with Westminster, Hammersmith and Fulham and Kensington and Chelsea Councils. Under the contract, Amey Community Ltd provide planned maintenance services to 60 Council Buildings and a helpdesk service for the Council's operational and commercial estate. In addition, the Amey provides security, reception and more recently cleaning services. For these services, the contractor receives a monthly fixed fee of £260,000 (excluding cleaning and additional works).

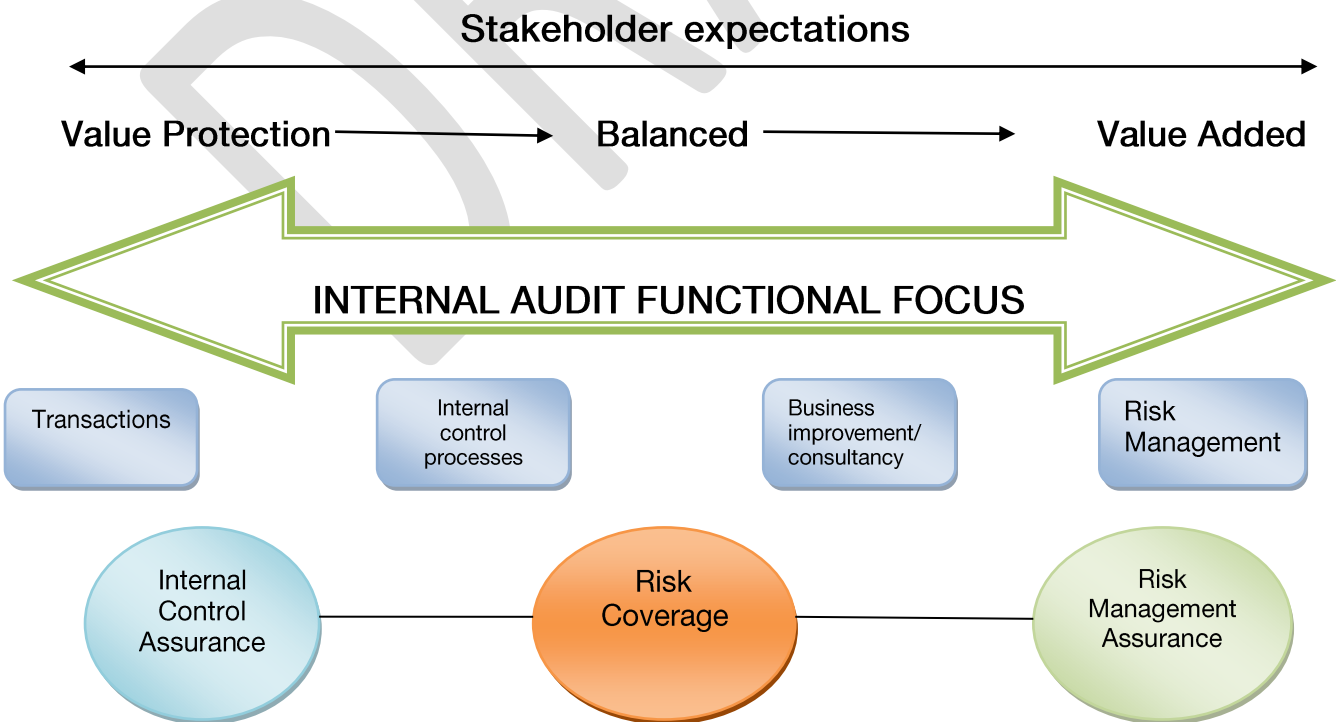
The audit highlighted areas where improvements can be made to the contract management of the facilities management contract. The main points raised included the need to make sure appropriate risk assessments were carried out to determine the criticality of the service and of staff working in council buildings. The audit also highlighted instances where the contract deliverables were not being monitored, for example ensuring annual satisfactions are carried out and that performance information is received and checked.

Internal Audit Strategy – Introduction

Haringey’s internal audit function is driven by an appropriate strategy, rather than as a tactical response to operational issues, to minimise the risks that key strategic issues could be overlooked. Haringey’s framework has been developed to cover both strategic and tactical considerations and ensures that internal audit resources are used to provide the appropriate assurances for the organisation at any one time, as follows:



To create an effective internal audit function, internal audit’s key stakeholders will determine how the audit function delivers the desired value by focusing on e.g. risk management and control assurance; assessment of internal control effectiveness and efficiency; regulatory and corporate compliance assurance; developing awareness of risk and control across the organisation. Internal audit’s resources and plans are then aligned to the Council’s key business risks and operational and financial priorities as follows:



Internal Audit Objectives

Haringey's approach is designed to enable internal audit's remit to evolve and develop as the organisation's needs change over time. As stakeholder needs evolve, internal audit can focus on creating value through assisting with improvements in operational processes. As Haringey's risk appetite changes, internal audit's strategy and functional focus can move from internal control, to risk management, assurance.

The internal audit strategy sets out how the Council's Internal Audit service will be delivered, in accordance with the Internal Audit Charter. Internal Audit will provide independent and objective assurance to the Council, its members, the Chief Executive and Senior Leadership Team and to the Chief Financial Officer to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs. It is the Council's intention to provide a best practice, cost efficient internal audit service which fulfils the requirements of the statutory 2017 UK Public Sector Internal Audit Standards (PSIAS).

Internal Audit's Remit

Internal Audit will:

- Provide management and members with an independent, objective assurance and advisory activity designed to add value and improve the Council's operations;
- Assist the Corporate Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance service; and
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice.

Service Delivery 2019/20

The internal audit service will be delivered by a 'mixed economy' of externally procured services under the direction of the Council's Head of Audit and Risk Management, supported by an in-house Corporate Anti-Fraud Team.

The resources to deliver the internal audit and counter-fraud function have been assessed as adequate to fulfil the requirements of the PSIAS and ensure that the key risks of the Council are subject to an appropriate level of independent audit review.

Internal Audit Planning

Audit planning will be undertaken on an annual basis and audit coverage will be based on the following:

- Discussions with the Council's senior management, statutory officers and Priority Owners;
- The Council's Risk Registers and Borough Plan;
- Outputs from other assurance providers; and
- Requirements as agreed with the council's external auditors.

The annual Internal Audit Plan is composed of the following:

- **Borough Plan/Priority and Business Area Risk Based Audits:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they operating correctly. The selection of work in this category is driven by internal audit's and senior managers' risk assessment and may also include work in areas where the Council services are delivered in partnership with or by other organisations.
- **Key Financial Systems:** Audits of the Council's key financial systems on a continuous basis.
- **Probity Audit (schools/other establishments):** Audit of a single establishment. Compliance with legislation, regulation, policies, procedures or best practice is confirmed.
- **Computer Audit:** The review of ICT infrastructure and associated systems, software and hardware.
- **Contract and Procurement Audit:** Audits of the Council's procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Counter-Fraud and Ad-Hoc Work:** The in-house Corporate Anti-Fraud Team undertakes a programme of pro-active and reactive counter-fraud investigations. A contingency of audit days are also included in the annual audit plan to cover any additional work due to changes or issues arising in-year.

Follow-up

Internal Audit will evaluate the Council's progress in implementing audit recommendations against agreed targets for implementation. Progress will be reported to management and to the Corporate Committee on a quarterly basis. Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management.

Reporting

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work and at the follow up stage. Summary reports are also provided to the Corporate Committee on a monthly basis and high level reports provided on a quarterly basis. This includes the Head of Internal Audit's annual report which contributes to the assurances underpinning the statutory Annual Governance Statement of the Council.

Internal Audit Plan 2019/20

The annual internal audit plan has been discussed and agreed with the Senior Leadership Team; Priority Owners; and nominated clients. The plan and strategy are submitted to the Corporate Committee for final approval and any significant changes to the annual internal audit plan and/or the internal audit strategy will be reported during the year to the Corporate Committee for formal approval.

The table below sets out the internal audit work to be completed by the external contractor. The total number of days to be delivered excludes audit work that will be completed as part of the corporate anti-fraud team's work.

The work planned aims to provide coverage across the value protection and value added requirements of the Council. The internal audit service has focused its annual plan to align it with the identified key risks within the Borough Plan in order to provide assurance across the Priority areas. Assurance on Priority 5 key risk areas will be provided in part via internal audit's annual audit plan delivered via Homes for Haringey and the counter-fraud work plan.

Audit Area	Client	Quarter	Days
Corporate/Cross Cutting Risk Audits			
Review of Corporate Programme and Transformation Arrangements	Director of Customers, Transformation & Resources	1	15
Management of Contracts	Director of Environment & Neighbourhoods	1	12
SAP - Development and Advice	Director of Customers, Transformation & Resources / Director of Finance	2	10
Transformation Programmes - Review risks, systems and processes (FOBO)	Director of Customers, Transformation & Resources	1	20
Financial Assessment of Clients	Director of Finance	2	15
Review of the Financial Compliance Function	AD for Corporate Resources	1	10
Sub-total – Corporate Risk Audits			82
Borough Plan – Priority Risk Audits			
Priority 2 People – a Haringey where strong families, strong networks and strong communities nurture all residents to live well and achieve their potential			
SEND (including payments for Respite)	Director of Children's Services	3	15
Supporting Care leavers (UCAS)	Director of Children's Services	4	10
Early years Commissioning	Director of Children's Services	2	15
Transport Service	Director of Children's Services	4	10
Sub-total Priority 2.1			50

Audit Area	Client	Quarter	Days
Priority 2 People – a Haringey where strong families, strong networks and strong communities nurture all residents to live well and achieve their potential			
Brokerage (Commissioning) Service	Director of Adult and Health	1	20
Management of Personal Budgets and Direct Payments	Director of Adult and Health	2	15
Review of Care Plan reviews (including Learning Disability and Mental Health Service)	Director of Adult and Health	3	10
Demand Management	Director of Adult and Health	3	10
Reablement Service	Director of Adult and Health	4	10
Sub-total Priority 2.2			65
Priority 3 Place – A place with strong, resilient and connected communities where people can lead active and healthy lives in an environment that is safe, clean and green.			
Review of Parking Operations (PCN and Pay and Display)	Director of Environment & Neighbourhoods	3	15
Management of Parks and Open Spaces	Director of Environment & Neighbourhoods	2	10
Community Safety - use of MOPAC funding	Director of Environment & Neighbourhoods	1	10
Fusion - Fees and Charges	Director of Environment & Neighbourhoods	1	10
Sub-total Priority 3			45
Priority 4 Economy – A growing economy which provides opportunities for all our residents and supports our businesses to thrive.			
Management of Commercial property portfolio including renewals	Director of Housing, Regeneration & Planning	1	10
Delivery of Capital Schemes	Director of Housing, Regeneration & Planning	1	10
New Council Housing Delivery Programme	Director of Housing, Regeneration & Planning	2	10
Disposal of Asset	Director of Housing, Regeneration & Planning	3	10
Sub-total Priority 4			40

Audit Area	Client	Quarter	Days
Priority 5 Your Council – The way the Council works			
Corporate IT Audits			
IT Governance and Control Framework	AD for Corporate Resources	4	15
Network and Internet Controls	AD for Corporate Resources	3	10
Threat Management	AD for Corporate Resources	2	10
Disaster Recovery	AD for Corporate Resources	4	8
Change Management	AD for Corporate Resources	3	10
Application reviews	AD for Corporate Resources	2	15
Sub-total – Corporate IT Audits			68
Contract and Procurement Audit			
Contract management - Highways	Director of Environment & Neighbourhoods	3	10
Contract management - Refuse collection	Director of Environment & Neighbourhoods	1	10
Contract Administration	Director of Environment & Neighbourhoods	3	10
Sub-total – Contract Audits			30
Key Financial Systems			
Key Financial Controls - Bankline	Director of Finance	3	5
Housing Benefit Overpayments	AD for Corporate Resources	2	10
Budget Monitoring & Control	Director of Finance	4	10
Teachers' Pensions contributions	Director of Finance	3	5
Treasury Management	Director of Finance	4	5
Accounting & General Ledger	Director of Finance	3	10
Pension Fund Administration	Director of Finance	4	7
Accounts Receivable (Sundry Debtors)	AD for Corporate Resources	3	12
Accounts Payable (Creditors)	AD for Corporate Resources	3	12
Housing Benefits	AD for Corporate Resources	4	15
Council Tax	AD for Corporate Resources	3	10
NNDR	AD for Corporate Resources	3	7
Payroll	AD for Corporate Resources	4	10
Sub-total – Key Financial Systems			118

Audit Area	Client	Quarter	Days
School Audits Risk Based Programme			
Gladesmore Secondary	School Head Teachers	1	6
Highgate Wood Secondary	School Head Teachers	1	6
Coleridge Primary	School Head Teachers	1	5
Lee Valley Primary	School Head Teachers	1	5
Lordship Lane Primary	School Head Teachers	1	5
Muswell Hill Primary	School Head Teachers	1	5
Seven Sisters Primary	School Head Teachers	1	5
St Aidan's Primary	School Head Teachers	2	5
St John Vianney Primary	School Head Teachers	2	5
St Mary's RC Primary	School Head Teachers	2	5
St Michaels CE Primary	School Head Teachers	2	5
Tetherdown Primary	School Head Teachers	1	5
Weston Park Primary	School Head Teachers	1	5
St Gilda's Junior	School Head Teachers	3	5
Belmont Infants	School Head Teachers	3	5
Pembury Nursery	School Head Teachers	3	5
The Vale Special	School Head Teachers	3	5
The Brook at Broadwater Special	School Head Teachers	3	5
Blanche Neville Special	School Head Teachers	3	5
Follow up of 2017/18 school audits	School Head Teachers		15
Sub-total – School Audits			113
Follow up of Audit Recommendations			20
Admin and Management			35
Risk Management			20
Contingency			30
Total			715

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Report for: Corporate Committee – 26 March 2019

Item number:

Title: Counter Fraud Update Report 2018/19
Quarter 3 (Apr-Dec 2018)

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Minesh Jani, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: minesh.jani@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision: Information**

1. Describe the issue under consideration

1.1 This report details the work undertaken by the Counter Fraud Team for the quarter ending 31 December 2018 and focuses on details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities – work undertaken by the in-house Fraud Team.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the counter-fraud work completed to the end of quarter 3 (31 Dec 2018).

4. Reasons for decision

4.1 The Corporate Committee is responsible for monitoring the effectiveness of Council policies on Anti-Fraud and Corruption. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee on the responsive and pro-active fraud investigation work.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The information in this report has been compiled from information held within Audit & Risk Management.

7. Contribution to strategic outcomes

7.1 The counter-fraud team makes a significant contribution through its pro-active work in ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The work completed by the Fraud Team is funded from within the Audit and Risk Management revenue budget. The maintenance of a strong proactive and reactive fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal

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

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

The in-house counter-fraud team is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010 and this is built into the team's operational procedures. Ensuring that the Council has effective counter-fraud arrangements in place will assist the Council to use its available resources more effectively.

9. Use of Appendices

Appendix A – Employee investigation outcomes

10. Local Government (Access to Information) Act 1985

Not applicable.

11. Performance Management Information

11.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management. Table 1 below shows the targets for each key counter-fraud area monitored and gives a breakdown between the quarterly and cumulative performance.

Table 1 Performance measures – counter fraud activity

Ref.	Performance Indicator	Q3	YTD		Annual Target
12.2	Tenancy fraud – properties recovered secure tenancies	12	39	41	50
12.3	Tenancy fraud – properties recovered - Regeneration	0	2		
12.4	Right to Buy – fraudulent applications prevented	21	84	84	80

12. In-house Counter-Fraud Team: Fraud investigation/Pro-active work**12.1 Internal employee investigations**

In accordance with the Council's Financial Regulations, the in-house Fraud Team investigates all allegations of financial irregularity against employees.

Quarter 3 investigations

Within the third quarter, five new cases relating to permanent employees were referred to the Fraud Team. Together with five cases carried forward from 2017/18, there have been 22 referrals to 31 December 2018.

The status of the 22 cases referred to Internal Audit, is as follows: -

- . 6 Resignations
- . 3 with no further action by IA
- . 4 managed by respective Heads of Service
- . 9 cases are ongoing

12.2 Tenancy Fraud – Council properties

In 2018/19, the numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below.

2018/19 – Referrals received

Brought forward from 2017/18	110
Referrals received in 2018/19	141
Total referrals received for investigation	251

2018/19 Outcomes

Properties Recovered	41
No Fraud identified	82
Total cases concluded	123
Ongoing Investigations	*128

*See Note 1 below

Note 1: Of the 128 ongoing investigations; 54 of these cases (42%) are progressing towards tenancy recovery. Following a referral, the status of the tenancy has been investigated and the case is in Possession proceedings, most commonly for one of the following reasons:

- . awaiting a Court Hearing
- . the Particulars of Claim are with Legal Services

- . an NTQ is awaiting expiry
- . a succession application has been refused and the tenant is awaiting an offer of smaller accommodation. Notice on Public Trustee
- . the rent account is showing an “Unauthorised Occupant” on the Housing database, awaiting eviction.

Properties will be included in the ‘recovered’ data when the keys are returned and the property vacated.

Note 2: Thirteen of the properties recovered in the financial year have been assisted through a tenancy fraud project which involves officers from the Fraud Team accompanying warrant officers, where a court order has granted access to properties, to ensure the safety of gas appliances.

The Fraud Team works with Homes for Haringey (HfH) to target and investigate housing and tenancy fraud, which forms part of HfH’s responsibilities in the Management Agreement. HfH continue to fund a Tenancy Fraud Officer co-located within the Fraud Team.

As at 31 December 2018 (Q2) three (3) Tenancy Fraud cases are in preparation for prosecution, one of which is with Legal Services for a Court application.

12.3 Pro-active counter-fraud projects

During 2018/19, the Fraud Team have continued with a number of pro-active counter-fraud projects in areas that have been identified as a high fraud risk. Progress reports on this work will be reported to the Corporate Committee during the year; the findings and outcomes are all shared with service managers as the projects are delivered.

12.3.1 Gas safety – execution of warrant visits

The Fraud Team accompany warrant officers on all executions of ‘warrant of entry’ visits where it is suspected that the named tenant is not in occupation

It has previously been reported to the Corporate Committee that in the second quarter of financial year 2018/19 that the Fraud Team assisted with 62 gas safety warrants of execution, of which seven contributed to the total of 29 secure tenancies recovered.

In Q3 of 2018/19, the fraud team accompanied the HfH gas compliance team on 79 visits where thirteen of the properties are included in the 41 secure tenancies recovered.

Fraud Team accompanied warrants of execution 2018/19

Fin Year	No. of visits	No. recovered	% of all secure tenancy recovered
2017/18	170	22	40

2018/19	No. of visits	No. recovered	% of all secure tenancy recovered
Q1	17	4	23
Q2	29	7	24
Q3	33	6	18
Q4			
Total			

As at 31 Dec 2018 a further eight properties are under continued investigation and the outcomes will be reported as properties are recovered.

12.3.2 Lock Changes

Following Gas Warrant interventions and particularly where there has been a forced entry, but keys have not been collected; the Fraud Team have begun looking at all lock changes that occurred in 2018/19 and working with:

- (i) gathered evidence
- (ii) Homes for Haringey (HfH) Tenancy Management data
- (iii) HfH Repairs Team records

and matching with public information to establish genuine occupancy details.

The exercise required obtaining a list of all lock changes that had been carried out in the financial year 2017/18.

In the four postcodes N4, N6, N8, N10, there was a total of 314 lock changes to be reviewed. Of the 314 lock changes identified 66 (20%) have now be reviwed and / or visited. As reported in Q1, one (1) property has been recovered and is included in the 41 reported above; and a further eight (8) properties are actively being investigated for indicative fraudulent activity.

12.3.3 Regeneration

The Fraud Team are now working with the Regeneration Team to review tenancies (both secure and Temporary Accommodation) to assist in:

- (i) The decanting and re-locating of displaced tenants on Regeneration estates; and
- (ii) Leaseholders who are in negotiation to have their homes bought back.

There have been two fraudulent applications identified and stopped and these are recorded in the Q3 figures above.

12.3.4 No Recourse to Public Funds (NRPF)

As at 31 December 2018, thirty seven (37) referrals have been received and responded to by the Fraud Team through the financial year. It can be reported that in at least six instances the Fraud Team intervention has averted a fraudulent application for financial or accommodation support being given, or a open case being closed. The average cost of NRPF support per family (accommodation and subsistence for a 2 child household) is around £20,000 per annum.

It can be viewed that the interventions of the Fraud Team have therefore saved the Council £120, 000 in support and accommodation costs, which may otherwise have been awarded where there was, in fact, no eligibility for assistance.

12.4 Right-to-buy (RTB) applications

As at 31 Dec 2018 there were approximately 249 ongoing applications under investigation. The team reviews every RTB application to ensure that any property where potential tenancy, benefit or succession fraud is indicated can be investigated further. The numbers of tenants applying to purchase their properties under the Right to Buy legislation has been reducing and whilst the reasons are not known with certainty, two possibilities are perceived to be (i) as valuations continue to rise and (ii) growth in tenant awareness of Fraud Team investigations.

To Q3, 84 RTB applications were withdrawn or refused either following the applicants' interview with the Fraud Team, further investigations and/or failing to complete money laundering processes.

12.5 Financial Values 2018/19

Tenancy Fraud – council stock and temporary accommodation:

The Audit Commission valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, relating to average Temporary Accommodation (TA) costs. No new national indicators have been produced; therefore although this value is considered low compared to potential TA costs if the property has been identified as sub-let for several years, Audit and Risk Management continue to use this figure of £18k per property for reporting purposes.

To Q3, 41 council properties have been recovered through the actions and investigations of the Fraud Team; therefore a total value of **£738,000** can be attributed to the recovery, or cessation, of fraudulent council and temporary accommodation tenancies, including those in the Regeneration areas.

Right to Buy Fraud:

Overall, the 84 RTB applications withdrawn or refused represent over **£9.07m** in potential RTB discounts; and means the properties are retained for social housing use.

12.6 Whistleblowing Referrals

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. Two referrals were made in Quarter 3 and both are being investigated. Regular reminders are provided for staff on how to raise concerns and use the Whistleblowing Policy; the latest reminder was issued in the Aug 2018 'In Haringey' staff newsletter. A copy of the policy is also held on the Council's intranet and website.

13.0 Added value

In Q3 the Fraud Team began supporting HfH Income Collection Team with household and financial checks prior to Eviction.

These are cases where a Warrant of Possession has been obtained from the Court for rent arrears and a final, independent, occupancy and monetary assessment is undertaken by the Fraud Team to advise on any change in circumstances which may preclude the eviction proceeding. In almost all cases the eviction will proceed and the property will be recovered. This project will be monitored by the Fraud Team and included within the body of future Counter Fraud reports to Committee.

An earlier Tenancy Fraud investigation involved joint working with DWP and the police and as a consequence, criminal proceedings being taken against the (former) tenant, who received a lengthy custodial sentence. Under the Proceeds of Crime legislation (POCA), at the most recent hearing in Wood Green Crown Court on 16 November 2018; it was agreed that the criminal benefit in the case was £321,926.80, with a confiscation order for £108,353.40. Of this sum Haringey Council are to receive £10,376.79 by way of Compensation Order.

The Fraud Team have been actively engaged with DWP Organised Fraud in a multi-borough fraud involving Housing Benefit claims. The Council no longer investigate Housing Benefit fraud cases as these are conducted by the DWP, however, the collaborative working of the Fraud Team as led to 25 Housing Benefit cases being stopped in Haringey, with a further fifteen (15) cases prevented and seven (7) arrests. A Fraud Team Investigation Officer is on standby to be called as a witness in Court proceedings.

14.0 National Fraud Initiative 2018

The National Fraud Initiative (NFI) is a biennial national data matching exercise co-ordinated by the Cabinet Office, which matches data within and between public and statutory sector bodies, to prevent and detect fraud. Data matching involves comparing sets of data, such as the payroll, pensions, housing waiting lists of an organisation against the same records held by counterpart authorities.

The data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it indicates an inconsistency in the data held by each party, which requires investigation, to determine whether there is error, omission or fraud that requires further investigation and which organisation, if any, is exposed to potential loss.

For the current NFI, data extracts were taken, nationally, in October 2018, and the results published in January 2019. Matches have been segregated into 11 main themes:

- . Blue Badge / Parking Permits
- . Council Tax Reduction
- . Housing Benefit
- . Housing Tenancy/ Waiting List

- . Payroll
- . Pensions
- . Licences
- . Personal Budgets
- . Residential Care
- . Right to Buy (RTB)
- . Creditors

Haringey Council's legal basis for sharing this information with the NFI under the Data Protection Act 2018 is that the processing is necessary for compliance with a legal obligation (as contained in the Local Audit and Accountability Act 2014, Schedule 9).

In 2019, there are 10,145 matches identified involving Haringey records, which is similar to previous years. Meetings have been held and training given to representatives in each of the key Service areas, and results from the first reviews being carried out have identified £125,000 of income that can be recovered by the Council.

15.0 Police Referrals

As reported in Q2, following investigations by the Fraud Team into employee irregularities (App A) there have been two referrals made to the Police for consideration of criminal offences to be prosecuted by the Criminal Prosecution Service (CPS).