

NOTICE OF MEETING

CORPORATE COMMITTEE

Wednesday, 18th March, 2020, 7.00 pm - Civic Centre, High Road, Wood Green, N22 8LE

Members: Councillors Isidoros Diakides (Chair), Mike Hakata (Vice-Chair), Peray Ahmet, Dawn Barnes, Patrick Berryman, Barbara Blake, Mahir Demir, Makbule Gunes, Liz Morris, Alessandra Rossetti, Daniel Stone and Noah Tucker

Co-optees/Non Voting Members:

Quorum: 3

1. **FILMING AT MEETINGS**

Please note that this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on.

By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

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 - 4)

To consider and agree the minutes of the meeting held on 3rd February.

7. HOUSING BENEFIT SUBSIDY UPDATE (PAGES 5 - 14)

8. ANNUAL SCHOOL AUDIT (PAGES 15 - 38)

9. INTERNAL AUDIT PROGRESS REPORT Q3 (PAGES 39 - 52)

10. COUNTER FRAUD UPDATE Q3 (PAGES 53 - 58)

11. ANNUAL INTERNAL AUDIT PLAN STRATEGY AND CHARTER (PAGES 59 - 78)

12. ANNUAL GOVERNANCE STATEMENT 2018/19 FOLLOW UP (PAGES 79 - 84)

13. TREASURY MANAGEMENT UPDATE REPORT (PAGES 85 - 98)

14. EXTERNAL AUDIT PLAN 2019/20 (PAGES 99 - 138)

15. ANY OTHER BUSINESS OF AN URGENT NATURE

To consider any items admitted at item 2 above.

16. DATE AND TIME OF NEXT MEETING

Philip Slawther, Principal Committee Co-ordinator

Tel – 020 8489 2957

Fax – 020 8881 5218

Email: philip.slawther2@haringey.gov.uk

Bernie Ryan

Assistant Director – Corporate Governance and Monitoring Officer

River Park House, 225 High Road, Wood Green, N22 8HQ

Tuesday, 10 March 2020

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MINUTES OF MEETING CORPORATE COMMITTEE HELD ON MONDAY, 3RD FEBRUARY, 2020, 7.00 PM

PRESENT:

**Councillors: Isidoros Diakides (Chair), Peray Ahmet, Dawn Barnes,
Patrick Berryman, Mahir Demir, Makbule Gunes, Liz Morris,
Alessandra Rossetti and Noah Tucker**

ALSO ATTENDING:

129. 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.

130. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies were received from Cllr Hakata and Cllr Blake.

131. URGENT BUSINESS

None.

132. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

Clerk's note 19:02 – the Committee agreed to adjourn at this point in the meeting.

133. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

Clerk's note 20:15 – the Chair reconvened the meeting.

There were no Deputations, Petitions or Questions.

134. MINUTES

RESOLVED

The Committee agreed the minutes of the meeting held on 2nd December 2019 as a correct record.

135. TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21

The Committee received a copy of the Treasury Management Strategy Statement (TMSS) 2020/21 for approval prior to its presentation to Full Council for final approval. The report was introduced by Thomas Skeen, Head of Pensions, Treasury & Chief Accountant as set out in the agenda pack at pages 11-39. The Head of Pensions, Treasury & Chief Accountant advised the Committee that the TMSS had been considered by Overview and Scrutiny Committee at its meeting on 23rd January. The Committee were advised that OSC did not have any firm recommendations in regards to the TMSS, however there were a number of questions and areas of interest raised by OSC. The Head of Pensions, Treasury & Chief Accountant fed back on the comments received from OSC on 23rd January:

- OSC sought reassurance around whether the TMSS was benchmarked against other local authorities. Officers advised that regular benchmarking data was provided to Corporate Committee.
- OSC questioned what the main driver/s for the growth in borrowing needs were. In response, officers advised that the biggest factor was the increase in the HRA in order to fund significant investment in the capital programme.
- In response to a question around the level of investments, officers advised that the gross position was around £33.6m but that a number of these were self-financing savings, which reduced the net position to around £21m.
- The Committee asked questions around whether officers were comfortable with the interest and other additional borrowing costs from a substantial increase in borrowing in order to fund house building etcetera.
- OSC also asked a number of questions around the HRA and the impact on the revenue budget from additional rent receipts arising from a larger housing portfolio.

The following arose during the discussion of the report:

- a. The Committee enquired about the Council's upper limit on short term borrowing of 30% and questioned whether a greater proportion of borrowing should be done on a long term basis, given the risk of interest rate rises and the potential impact this could have on the Council's ability to build new houses. In response officers acknowledged these concerns and advised that the Council needed to adopt a balanced approach to its borrowing needs. The Committee was advised that long term borrowing created its own pressures on the revenue budget and that the Council needed to be able to access money at short notice to pay its staff or other overheads, for example. Officers assured the Committee that the 30% upper limit was considered prudent and also emphasised that this was a maximum figure, at the time of the meeting the Council had no short-term debt.
- b. In response to further questions around the short term borrowing limit, officers set out that the limit was 30% of total borrowing as opposed to new borrowing. Officers also set out that the Council took regular advice from Arlingclose in considering the Council's long-term and short-term borrowing needs, in order to make sure that the position was prudent.

- c. The Committee queried whether, given the 30% was a total short-term borrowing figure, increased overall borrowing levels would result in increased short-term borrowing. Officers confirmed that was the case, however this had been factored into the formation of the MTFs and that the timing of the increase in the PWLB was fortunate in that context. It was noted that many local authorities had a much higher proportion of short-term borrowing than Haringey. Officers emphasised that short-term borrowing involved lower revenue costs than long-term borrowing.
- d. The Committee sought assurances around how a change in the MRP rate in the medium term would impact the Council, particularly in relation to the increased borrowing levels set out in the TMSS. In response, officers clarified that the MRP was an accounting construct for local government which provided a mechanism for the Council to charge local tax payers for the depreciation costs of assets and so was not subject to changes in interest rates in the way that loans were.
- e. In relation to concerns about increased MRP costs over the duration of the MTFs, officers acknowledged that increased MRP costs would occur from a more extensive capital programme and that MRP costs weren't paid until the asset was in use, rather than from when it was built. It was noted that MRP was not paid in relation to the Housing Revenue Account.
- f. In response to a question about whether the Council was at risk of overpaying on its MRP again, officers advised that the basis for calculating MRP costs had moved to an annuity basis, which provided the lowest available position. Officers advised that they were as confident as they could be that the Council was not overpaying.
- g. The Committee sought reassurance about the impact of Brexit on the Council's borrowing needs. Officers responded that most of the borrowing that the Council had was fixed rate and so it was largely protected from sudden interest rate increases. Arlingclose had advised the Council that large scale interest rate increases were very unlikely and that a decrease in interest rates was, in fact, more likely.
- h. The Committee broadly endorsed the 30% upper limit for short-term borrowing but also set out that this was something that should be kept under review going forwards. The Chair emphasised that his key concern was around ensuring that the Council's borrowing was undertaken on the basis of minimum risk. The Committee acknowledged the need to take expert advice in order to make borrowing as cost effective as possible.
- i. The Committee sought reassurance around the nature of the loans/debt set out in the report around leisure services and also Alexandra Palace. Officers agreed to seek an update on this from the Director of Environment and Neighbourhoods. **(Action: Clerk).**

RESOLVED

That the proposed Treasury Management Strategy Statement for 2022/21 was agreed and recommended to Full Council for final approval.

136. NEW ITEMS OF URGENT BUSINESS

N/A

137. DATE AND TIME OF NEXT MEETING

18th March

CHAIR: Councillor Isidoros Diakides

Signed by Chair

Date

Report for: Corporate Committee – 18th March 2020

Title: Housing Benefit Subsidy Update

Report authorised by: Andy Briggs, AD for Customers, Transformation and Resources

Lead Officer: Amelia Hadjimichael, Head of Benefits
Amelia.hadjimichael@haringey.gov.uk

Ward(s) affected: Not Applicable

**Report for Key/
Non Key Decision:** Not Applicable

1. Describe the issue under consideration

- 1.1 Haringey Council administers Housing Benefits and Council Tax Reduction for approximately 27,000 and 25,000 claimants respectively. The administration of benefit is undertaken on behalf of the DWP, and the Council receives a subsidy from the DWP to cover the cost.
- 1.2 External auditors (BDO) verify the subsidy claim and conduct sample reviews to ascertain whether errors have been made in the claim processing that have led to overpayments and whether these errors are Local Authority errors or caused by administrative delays. Overpayments that fall into these categories can lead to subsidy being withheld.
- 1.3 The Housing Benefit subsidy process provides an allowance to enable Local Authorities to recover overpayments resulting from Local Authority error. The allowance is capped on a sliding scale;
 - Full subsidy can be paid if the overpayment does not exceed 0.48% of the total benefit
 - 40% can be paid if the overpayment does not exceed 0.54% of the total benefit
 - No subsidy can be paid if the overpayment exceeds 0.54% of the total benefit.

2. Background Information

- 2.1 The external auditors BDO presented a report to Corporate Committee on 5th February 2019 following the audit of the Housing Benefit Grant Claim and certification for the financial year ended 31 March 2018.
- 2.2 The auditors highlighted that as a result of clearing a large part of the backlog in 2017/18, the Council created a higher than usual number and value of overpayments arising from local authority errors and administrative delays. As a result, they estimated that the impact of the errors could result in the DWP withholding approximately £458k of subsidy.
- 2.3 Following on from BDO's report, additional sample checks were carried out which highlighted that the initial percentages quoted were high, the DWP then agreed to amend the financial loss figures.

- 2.4 A formal response was received by the DWP on 13th June 2019 stating that the subsidy loss for 2017/18 would reduce from £458k to £61k.
- 2.5 However, as we breached both thresholds due to the number of errors identified, the Local Authority were not able to recover any amounts for the £1.445 million local authority error and administrative delay in overpayments.

3. Context

- 3.1 During 2017/18, Haringey Council administered Housing Benefit and Council Tax Reduction for approximately 27,000 and 25,000 claimants respectively. Our changes in circumstances average 3-4 changes per annum per case therefore our incoming work is significantly high and reflects the transient nature of our Borough.
- 3.2 Errors within the calculation of customers earned income has been an issue for both 2017/18 and prior years. Claimants’ payslips are sometimes difficult to interpret as a result of zero hours’ contracts, and seasonal/term timework. This has added to the complexities of fluctuating self-employed and earned income cases.
- 3.3 Although the further sample checks conducted by the Service resulted in a significant reduction in the original estimated subsidy loss, the Benefits Service took the BDO findings on board and made a number of changes as a result in order mitigate against the possibility of future subsidy losses.
- 3.4 These include:
 - A more cohesive approach to Quality Assurance to include subsidy requirements and immediate identification and correction of any errors. This is closely monitored by managers and addressed in performance management meetings. There are two officers on regular percentage checking and two officers on targeted checking the high-risk areas.
 - Comprehensive guidance notes on earned income have been written, distributed and delivered through workshops, and are now available as a source of reference to all staff.
 - Team Leaders exclusively check the daily classification of overpayments created as this is an area that was identified as high financial risk.
 - Formal processes have been established to target and analyse error trends and feedback to officers.

4. Benefit Performance Update

- 4.1 The service has been working on a reduction plan and have reduced the amount of outstanding work significantly in the last year. As part of a concerted focus on work reduction all officers now work on a distinct patch of claims, thereby promoting ownership and pride in work.
- 4.2 This has led to a reduction in days taken to process new claims from 23.64 days in 2017/18 to 17.7 days in January 2020 and a reduction in days taken to process changes of circumstances from 17.12 days in 2017/18 to 6.99 days.

	2017/18	2018/19	2019/20 (As at Dec 2019)	February 2020
New Claims Processed in	23.64	22.51	18	17.4

Days (Target – 20 days)				
Change in Circumstances Processed in Days (Target – 12 days)	17.12	13.78	7.74	6.59

4.3 We are confident that this performance trend will continue as a result of the changes and interventions made and are satisfied that the 2018/19 subsidy claim will reflect this.

5. Financial Year 2018/19

5.1 The external audit for 2018-19 has just been finalised and the qualification letter has been sent to the DWP. Once the DWP have agreed the content and our final position we can confirm the details.

5.2 We anticipate confirmation for 2018/19 to be known by March 2020.

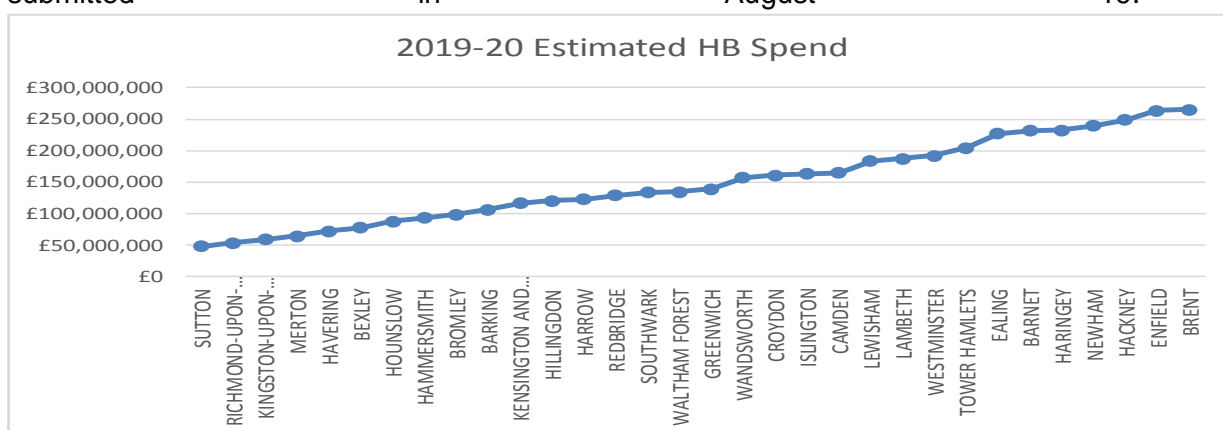
5.3 In 2018-19 we have not breached neither threshold, therefore we will receive 100% subsidy for all of the overpayments created through local authority error and delay.

5.4 The audit checking has confirmed that although we have had more cases checked for 18/19, our error rate has improved. Some of the improvements within certain areas are earnings down 19%, self-employed down 41% and overpayments down 78%. However, we still have work to do in other areas to continue reducing our error rate.

6. Comparison with Other Authorities

6.1 When comparing the total expenditure across all English LA's Haringey has the 5th highest spend (8th in 18/19 and 9th in 17/18) across London LA's as shown below.

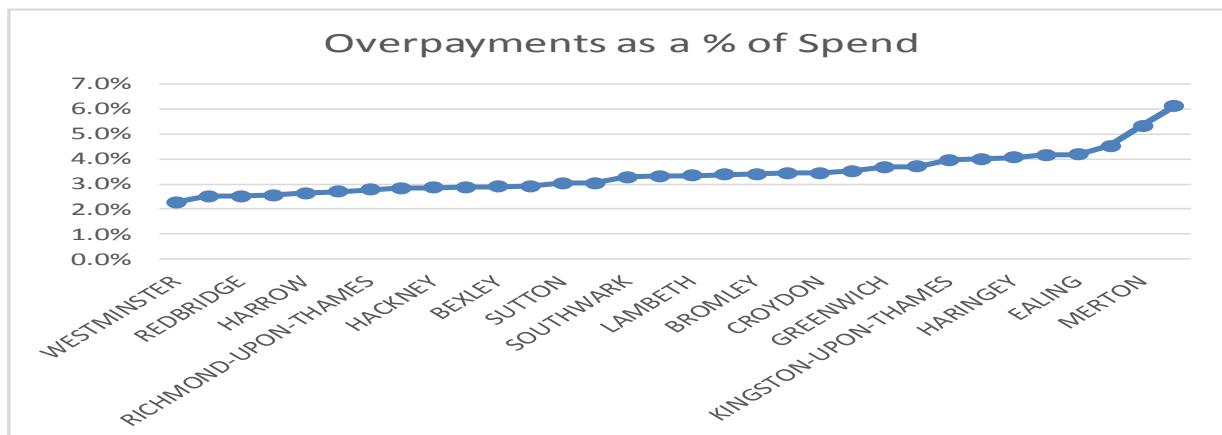
6.2 The following is based on the DWP data issued for the mid-year estimates for 2019/20 submitted in August 19.



7. Overpayments as a % of total expenditure

7.1 Across all English LA's overpayments average 2.7% of HB expenditure, with a slightly higher average of 3.4% for London Authorities (no change from 18/19).

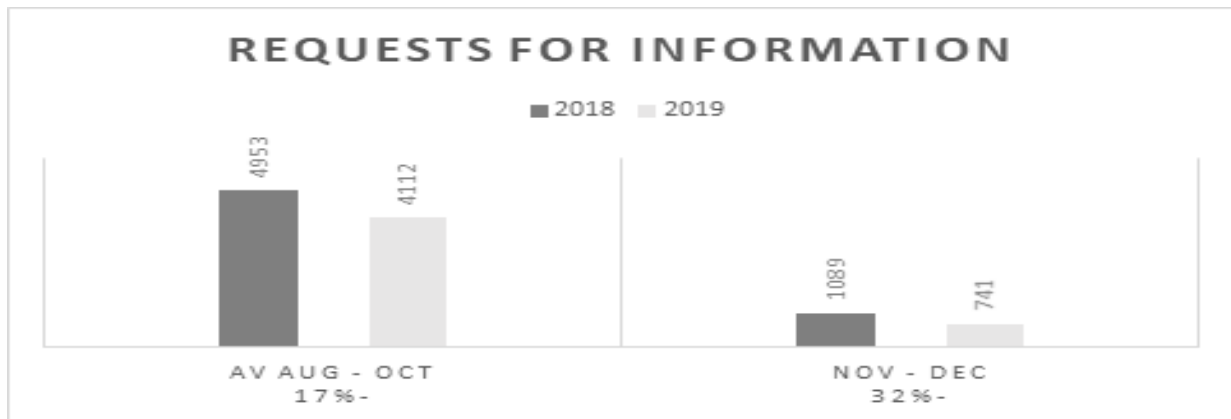
- 7.2 Haringey's overpayments were 4.1% (3.9% in 18/19 and 5.3% in 17/18) which puts us 27th (up from 30th in 18/19) out of 32 London Authorities.
- 7.3 The table below shows the % for London Borough's.



- 7.4 Overall the average overpayments come in at 3.4% of spend (no change for 18/19), ours is slightly higher at 4.1% which is slightly up from 3.9% in 18/19. This is due to proactive projects we have undertaken to update information held on our database and to avoid future errors.
- 7.5 Overpayments can be caused because we are not informed (or we are informed late) about changes in circumstances. Delays in processing can also cause overpayments, though this is minimised as much as possible.

8. Productivity Improvements

- 8.1 As part of the FOBO Transformation Programme we introduced Risk Based Verification (RBV) to assist with the processing of Housing Benefit and Council Tax Reduction claims on 01.11.19.
- 8.2 RBV relates to the level of checks that are undertaken on a claim before benefit is awarded. Its primary purpose is to target resources to where fraud and error are more likely to occur and thus help minimise fraud and error.
- 8.3 Each claim is given a risk category, Low, medium or High. This risk determines the likelihood of fraud and error occurring on the claim.
- 8.4 Over a third of our claims will require less evidence with RBV than was previously requested (low risk).
- 8.5 Since the introduction of RBV in November 2019 we have seen a 49% decrease in the number of letters we send requesting further information compared to the same period last year.



- 8.6** To ensure that our RBV policy is robust and will not increase overpayments, we have put monitoring processes in place. We are able to review what overpayments have been created broken down by risk group.
- 8.7** Having this level of data enables us to take proactive action to ensure our RBV policy does not increase the levels of overpayments created. Undertaking this activity on a month by month basis ensures we can act quickly should we need to.
- 8.8** For overpayment value broken down by risk group, the data shows:

	Low Risk (45% of caseload)	Medium Risk (30% of caseload)	High Risk (25% of caseload)
2018	29%	40%	31%
2019	23%	41%	36%
Since RBV Live Nov 19	18%	61%	22%

- 8.9** In 2018, 29% of overpayments created were from claims that would be categorised as low risk. For 2019 this was 23%. Since going live with RBV, only 18% of all overpayments created were for cases classified as Low risk. So, 45% of the caseload only generate 18% of the overpayments. This demonstrates that reducing the level of evidence we required for these claims has not increased overpayments. High risk cases have greater scrutiny than before and the overpayments here have reduced indicating that the extra validation here is helping to reduce fraud and error in high risk cases.

9. Other successful delivered opportunities

9.1 Landlord Portal:

Used primarily by landlords who receive direct payments of Housing Benefits for customers. The portal enables these landlords to self-serve and provide us with information to ensure claims are assessed promptly and correctly. Since the introduction of the portal, the number of general enquiries received from these landlords has dropped by 56%

9.2 Improving our letters to Customers:

We have reviewed some of our more complex letters so that more of our customers can understand them without needing our assistance. Since making these changes we have received over 1000 fewer queries regarding our letters compared to the same period last year.

9.3 Benefits Portal:

The Benefits portal went live 06.12.19 and in the first 7 weeks' customers sent us over 500 claims/ changes via the portal. Customer can make new claims, report any changes and upload evidence via the portal. Because the portal follows the same RBV rules our staff apply when requesting evidence, it applies those rules as soon as the customer provides their details. The advantage to the customer is they know immediately exactly what evidence our staff need to see to process their claim. They no longer have to wait until our staff have received and reviewed the form and written out to them to request the evidence.

Report for: Corporate Committee 18 March 2020

Title: Schools Audit

Report authorised by: Eveleen Riordan, AD, Schools and Learning

Lead Officer: Eveleen Riordan, AD, Schools and Learning

Eveleen.Riordan@haringey.gov.uk 020 8489 3607

Ward(s) affected: N/A

Report for Key/

Non Key Decision: Non Key decision

1. Describe the issue under consideration

- 1.1 Our aim is for all schools to be at substantial or a good level in their audit. Where limited or nil is an outcome, we will agree with the school an action plan for how the school will address the areas of concern and move to a more secure position at the next audit.
- 1.2 We are aware that there are occasions local factors that might move a secure school to a position that gives greater cause for concern. We want our schools to work closely with the LA and advise at an early point if there are any factors which threaten or pressurise their ability to come out of audit in a strong position. To assist this, Schools Forum agreed on 26 February 2020 that a sum of money from Schools in Financial Difficulty (SiFD) fund would be used to support an LA led SLA to our schools to provide timely and strong financial support and advice to our schools to enable them to have strong financial processes in hand.
- 1.3 The governance arm of the Haringey Education Partnership (HEP) leads on training for our governors. The last Audit and Risk Management governor training was on Wednesday 4 March. The handout from the training is attached. As you can see, it is a comprehensive look at the audit process and how to ensure that your school achieves a strong outcome.
- 1.4 To ensure that those who most need it are accessing the training, all schools in the audit window are targeted for the training – this inevitably means that those schools which are nil/limited are targeted more frequently as they are audited more often.
- 1.5 Where nil assurance is recoded in two consecutive audits, the AD for Schools and Learning and the Head of Audit will call in the relevant Head and CoG to discuss the outcome and agree how the position will be moved upward.

2. Recommendations

2.1 That Corporate Committee note the update.

3. Use of Appendices

3.1 Appendix 1 – School Governors Presentation 4th March.

Governors Briefing

Internal Audit

4th March 2020

Briefing for Governors

- Governor's role in governance
- Audit of schools; Schools Finance Manual
- Audit programme and process
- Scope of internal audit
- What internal audit look for
- Reporting and follow up arrangements
- Highlights from 2018/19 annual report

A Governor's Role

- Hold the main responsibility for **governance** in schools by: -
 - Monitoring the adequacy of the system of internal control within the school.
 - Considering Audit Reports.
 - Approving action plans in response to Audit Reports.
 - Monitoring the implementation of such action plans.

Why are Schools audited?

- To provide assurance to the Governing Body and the Leadership team over governance at school
- All Community School assets must be included in Haringey's Annual Statement of Accounts
- Council Chief Financial Officer's statutory duties (1972 LGA – s151) to ensure good financial management
- DfE statutory financial information submissions

What are audits based on?

Schools Finance Manual, issued in hard copy to all schools in 2007. A copy of the Manual is also online on the Council's website at:

<http://www.haringey.gov.uk/children-and-families/schools-and-education/projects-consultations-and-inspections/financial-regulations-schools>

Internal Audit aims to ensure that schools are complying with the principles and requirements of the Schools Finance Manual.

Schools Finance Manual

- Currently being updated – series of guidance manuals – first batch already issued to schools
 - Schools in Financial Difficulties,
 - Purchasing,
 - Petty cash,
 - Budgets forecasting,
 - Payroll and
 - Risk Management.

Audit Programme and Process

- Schools Audit Programme presented annually at Schools Forum (February 2020) and agreed by Corporate Committee
- Schools are audited on average every three/ four years – based on risk
- Final Audit Report issued to the Head Teacher and Chair of Governors
- Formal follow up visit undertaken by audit with a report issued to the Head Teacher and Chair of Governors

Scope of All School Audits

- Management Organisation;
- School Improvement Plan & OFSTED Inspections;
- Budget Setting, Monitoring & Control;
- Staffing;
- Disbursement Accounting Records;
- Asset Management & Inventory Records;
- School Unofficial Fund Accounting;
- Income & Lettings;
- School Meals; and
- Data Security.

What internal audit look for

Governing Body Meetings

Regular (at least annual) items on the agendas for:

- Review of Terms of Reference;
- Register of Business Interests;
- Scheme of Delegation;
- School budget approval;
- Budget monitoring; and
- School Development Plan.

What internal audit look for

Governing Body agendas and minutes:

- Agenda item to allow governors to declare an interest in any item on that agenda
- Minutes specify the decision taken at the end of each item e.g. approval of policies, award of contracts
- Minutes are signed by the Chair

- # What internal audit look for
- ## School Development Plan and Budget:
- Does the SDP cover key priorities
 - Is there evidence to show how priorities were determined?
 - Has the SDP been approved – do the minutes record this?
 - Are the resources clearly identified for each area in the SDP – do these agree with the budget allocations?

What internal audit look for

School Budget:

- Is there a balanced budget, or licensed deficit, which you have approved?
- Is the approved budget the same as that loaded on the finance system?
- Are regular budget monitoring reports produced and evidenced?
- Are they sufficient?

What internal audit look for

School operational processes:

- Documentary evidence to support approval and/or transactions e.g. Income and expenditure; recruitment
- Appropriate authorisation for expenditure – in line with the School's scheme of delegation

What internal audit look for

School operational processes:

- Budget spend in accordance with approved limits e.g. Pupil Premium
- Processes in accordance with national and local requirements e.g. Recruitment, Salary and Allowances
- Up to date policies and procedures

The role of your Clerk

The purpose* of the clerk to Governor's role is to:

- Provide advice to the governing body on governance, constitutional and procedural matters.
- Provide effective administrative support to the governing body and its committees.
- Ensure the governing body is properly constituted.
- Manage information effectively in accordance with legal requirements.

**National Governors Association*

Reporting to the School

- Audit reports provided to Head teachers
– there is a draft and final version
- Governor Services provide a copy to the Chair of the Governing Body
- Quarterly reports to Council's Corporate Committee with summary of school outcomes

Follow up reports

- All schools have a formal follow up visit
- Report is provided to the school and Chair of Governors
- Failure to provide a response (or an adequate response) will mean the issue will be escalated to senior management
- Process approved by Corporate Committee November 2015

Review of audit and follow up reports by Governors

- Was the last audit report and follow up audit presented to Governors for review?
- Has the Governing Body taken responsibility for ensuring recommendations are implemented?
- Has the Governing Body scheduled further reviews if there were outstanding items?

Key Highlights from Annual Report – 2018/19

- Of the 20 Schools audited
 - 9 Substantial Assurance
 - 4 Limited Assurance
- Weaknesses in the following areas
 - Non compliance with financial regulations
 - Items missing or non- existents
 - Non-ratification / minuting
- Follow up audits
 - Recommendations not implemented in a timely manner
 - 24% not implemented from 2017/18 audits

Key Message

- Governors have an important role in overseeing internal controls at schools
- Internal Audit provides an independent assurance of a school's internal controls
- The auditors annual report has identified gaps in schools audited in 2017/18
- Check to make sure your school has the right control environment in place

Contact Details

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Senior Audit Manager – Mazars

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Report for: Corporate Committee – 18 March 2020

Title: Internal Audit Progress Report 2019/20 – 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 for the period ending 31 December 2019 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 reaction 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	Plan to 3rd Qtr	Actual to 3rd Qtr	Target for year
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	73%	72%	95%
2	Priority 1 recommendations implemented at follow up	6	6	95%

12. Internal Audit work – Mazars

12.1 The activity of Mazars for the second quarter of 2019/20 is detailed at Appendix A. Mazars planned to deliver 518 days of the annual audit plan (710 days) during the quarter and delivered 511 days audit work during the quarter. This is broadly in line with the plan.

12.2 Members of the Corporate Committee receive detailed summaries of all projects for which a final report has been issued on a timely 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 any reports with a limited assurance are included in Appendix A for information.

12.3 Significant issues arising in Quarter 3

Two non-schools audits finalised in quarter 3 received “Limited Assurance” and three “Adequate Assurance”. The two audit assigned Limited Assurance are; Disposal of Asset and New Council House Delivery Programme.

In respect of schools, one school was assigned “Nil Assurance”, two “Limited Assurance”, four “Adequate Assurance” and one “Substantial Assurance”. Lea Valley School received “Nil Assurance” and key findings arising from the audit are set out below. Findings arising from the other schools will be captured and reported in the schools’ annual report.

Disposal of Asset

The Strategic Property Unit is part of the Housing, Regeneration and Planning Directorate and is responsible for the management of the Council’s commercial, community and operational property portfolios. The commercial portfolio comprises of land, industrial units, retail premises, office accommodation, telecommunication sites and advert hoardings. The community buildings

portfolio consists of buildings leased to voluntary sector and grant funded organisations.

The Audit raised five recommendations, one was classed as Priority 1 and four as Priority 2. The key findings from the audit were; the need to develop a formal disposals policy that details current council practices regarding disposals in line with council objectives; creation and maintenance of an Asset Management Plan; retention of evidence to show valuation reports of properties disposed of by the service; and keeping up to date, the disposal tracker, which is used to provide management information.

New Council House Delivery Programme

The Council's Borough Plan, adopted in February 2019, states we will "deliver 1,000 new council homes at council rents by 2022". At the time of the audit, the 2019/20 Revenue and Capital budgets were agreed by Cabinet in February 2019 and established:-

- £37 million General Fund Capital Programme for the five years from 2019/20;
- £247.476 million Housing Revenue Account (HRA) capital programme budget for the new homes building programme; and
- £433.037 million for new homes acquisition.

As at October 2019 the status of schemes under the programme was as follows:-

- Estimated cost £397,679,227;
- 58 current schemes in total;
- 45 schemes at feasibility;
- Six at planning stage;
- Six at procurement stage;
- One on site; and
- Deliver 1,221 new homes, of which 1,008 will be Council homes.

The Audit raised six recommendations, two were classed as Priority 1 and four as Priority 2. The key findings from the audit were; the need to update the programme risk register with appropriate up to date mitigation; to update, maintain and use the project tracker to ensure tasks identified to manage the delivery of the programme and monitored; and to develop the housing delivery programme forecast report to include reporting on estimates of cost against budget, progress against agreed project milestones, key project risks and proposed changes to the programme.

Lea Valley School

Lea Valley Primary School is for pupils in the age group of 2-11 years. The most recent OFSTED inspection for the School was completed in October 2017 and the school continued to be classed as 'Good.'

The previous internal audit was completed in April 2016 and 'Substantial assurance was provided. The current audit raised 20 recommendations, 14 were classed as Priority 2 and six as Priority 3. The decline in assurance appears to be routed in the loss of the school's long standing School Business Manager. The audit highlighted a number of administrative processes not been applied, particularly around the maintenance of the various committee terms of reference, management of declarations of interests, use of purchase orders, carrying out petty cash reconciliations and management of inventory.

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**Internal Audit
Quarter 3 Internal Audit Report
2019/20
London Borough of Haringey**

February 2020

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Executive Summary

Introduction

This is our third report to the Corporate Committee for the 2019/20 financial year including details of all reports which have reached final stage since our last report in November 2020. 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. 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 - Fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.

Priority 2 - Significant control weaknesses, which expose the organisation to a moderate degree of unnecessary risk.

Priority 3 - Areas where we have highlighted opportunities to implement a good or better practice to improve efficiency or further reduce exposure to risk.

From 1st April 2019, we have review our assurance ratings so that the “Full” rating has been removed. “Substantial” now become the highest rating available with a new rating of “Adequate” inserted between “Substantial” and “Limited”. This was because it was felt that “Full” assurance was too hard to attain and we now have greater leeway to reflect positive outcomes. A summary of the new framework is below:

Definitions of Assurance Levels	
Level	Description
Substantial Assurance:	Our audit finds no significant weaknesses and we feel that overall risks are being effectively managed. The issues raised tend to be minor issues or areas for improvement within an adequate control framework.
Adequate Assurance:	There is generally a sound control framework in place, but there are significant issues of compliance or efficiency or some specific gaps in the control framework which need to be addressed. Adequate assurance indicates that despite this, there is no indication that risks are crystallising at present.
Limited Assurance:	Weaknesses in the system and/or application of controls are such that the system objectives are put at risk. Significant improvements are required to the control environment.
NII Assurance:	There is no framework of key controls in place to manage risks. This substantially increases the likelihood that the service will not achieve its objectives. Where key controls do exist, they are not applied.

Key Highlights/Summary of Quarter 3 2019/20:

2019/20 Internal Audit Reports finalised in the quarter:

- Management of Contracts
- Community Safety - Use of MoPAC funding
- Fusion - Fees & Charges
- New Council House Delivery Programme
- Disposal of Assets

2019/20 Schools Audit Reports finalised in the quarter:

- Lea Valley Primary
- Lordship Lane Primary
- St John Vianney Primary
- St Mary's RC Primary
- St Michaels CE Primary
- Pembury
- The Vale Special
- Blanche Nevile Special

2019/20 Draft Internal Audit Reports issued this quarter

- Management of Parks and Open Spaces
- Housing Benefit Overpayments

2019/20 Draft School Audit Reports issued this quarter

- Gladesmore Secondary
- St John Vianney Primary
- St Mary's RC Primary

Audit Progress and Detailed Summaries

The following table sets out the audits finalised since September 2019 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
2019/20							
Management of Contracts	Aug 19	Oct 19	Adequate	N/A	0	4	0
Community Safety - Use of MoPAC funding	Sept 19	Jan 20	Adequate	N/A	0	2	0
Fusion - Fees & Charges	Aug 19	Oct 19	Adequate	N/A	0	3	2
New Council House Delivery Programme	Dec 19	Jan 20	Limited	N/A	2	4	0
Disposal of Assets	Aug 19	Oct 19	Limited	N/A	1	4	0

As part of the 2019/20 Internal Audit Plan we have visited the following schools, completed a probity audit and since September 2019 issued a final report.

School	Date of Audit	Date of Final Report	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
2019/20						
Lea Valley Primary	June 19	Oct 19	No	0	14	6
Lordship Lane Primary	July 19	Oct 19	Limited	0	8	6
St John Vianney Primary	Sept 19	Jan 20	Adequate	0	6	4
St Mary's RC Primary	Oct 19	Jan 20	Adequate	0	6	1
St Michaels CE Primary	June 19	Jan20	Substantial	0	1	5
Pembury	July 19	Oct 19	Limited	2	6	3
The Vale Special	Oct 19	Jan 20	Adequate	1	4	0
Blanche Nevile Special	Sept 19	Jan 20	Adequate	0	2	3

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 2020

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

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Report for: Corporate Committee – 18 March 2020

Title: Counter Fraud Update Report 2019/20
Quarter 3 (Oct-Dec 2019)

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 in-house Fraud Team for the quarter ending 31 Dec 2019 and focuses on details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the counter fraud / investigation work completed in the period to 31 December 2019.

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 by 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. **Local Government (Access to Information) Act 1985**

Not applicable.

10. **Performance Management Information**

- 10.1 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	Total YTD	Annual Target
12.2	Tenancy fraud – properties recovered secure tenancies	19	45	45	50
12.3	Tenancy fraud – properties recovered - Regeneration	0	0		
12.4	Right to Buy – fraudulent applications prevented	26	67	67	80

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

12.1 Internal employee investigations

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

Quarter 1 investigations

Three (3) employee investigations were in progress at the start of Quarter 3, two new referrals were received by the team during the period and of these two new cases were accepted.

Of the five (5) investigations, all of which relate to permanent employee investigations, one was concluded with no further action and one was subject to a formal disciplinary procedure. Three cases continued through Q4.

The Fraud Team work closely with officers from HR and the service area involved to ensure that the investigation is completed as quickly as possible.

12.2 Tenancy Fraud – Council properties

In 2019/20, the numbers of referrals received, investigations completed, and properties recovered to date by the Fraud Team are summarised below.

2019/20 – Referrals received

Brought forward from 2018/19	148
Referrals received in 2019/20	176
Total referrals received for investigation	324

2019/20 Outcomes

Properties Recovered	45
No Fraud identified	171
Total cases concluded	216
Ongoing Investigations	*108

*See Note 1 below

Note 1: Of the 138 ongoing investigations; 46 of these cases (43%) 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.

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.

The Fraud Team will continue to work with HfH to identify the most effective use of fraud prevention and detection resources across both organisations to enable a joined up approach to be taken, especially where cases of multiple fraud are identified e.g. tenancy fraud, and right to buy fraud.

12.3 Pro-active counter-fraud projects

During 2019/20, the Fraud Team has 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 financial year 2018/19 that the Fraud Team assisted with 107 gas safety warrants of execution, of which 20 contributed to the total of 52 secure tenancies recovered.

In 2019/20, the fraud team accompanied the HfH gas compliance team where eighteen (18) of the properties are included in the 45 secure tenancies recovered. As at 30 Dec 2019 a further nine (9) properties are under continued investigation and the outcomes will be reported as properties are recovered.

12.3.2 Council Tax /Single Person Discount

Following the release of National Fraud Initiative (NFI) data in 2019, the Fraud Team are carrying out a pro-active exercise to identify households where household circumstances have changed, but not been notified to the Council. Council Tax records are being matched with other Council data: Where Council records show a single person household and this is no longer the case, the CT account is adjusted, home-owners notified and there is an expectation that additional income will be generated for the Council. This shall be monitored and reported to Committee throughout the year. The team has reviewed over 1,200 NFI matches and sent letters to 150 householders where it is suspected more than one person is living at the property. The householders can contact the internal audit team and present evidence to show entitlement should continue.

12.3.3 No Recourse to Public Funds (NRPF)

As at 31 December 2019, thirteen (13) referrals have been received and responded to by the Fraud Team through the financial year. The role of the Fraud Team has changed in that they now only provide a financial status position for the NRPF team to include in their overall Children and Family Assessment.

The average cost of NRPF support per family (accommodation and subsistence for a two child household) is around £20,000 pa.

12.4 Right-to-buy (RTB) applications

As at 31 December 2019 there were approximately 205 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.

At Q3, sixty seven (67) 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 2019/20

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.

At Q3 forty five (45) council stock properties have been recovered through the actions and investigations of the Fraud Team; therefore, a total value of **£810,000** 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 67 RTB applications withdrawn or refused represent over **£7,504k** 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. Three referrals were made in Quarter 3.

12.7 Prosecutions

As at 31 December 2019 (Q3) two (2) Tenancy Fraud cases have been prepared and are with Legal Services for a Court application, as previously reported.

A further two tenancy cases are being prepared for consideration by Legal services for prosecution.

Report for: Corporate Committee – 18 March 2020

Item number:

Title: Annual Internal Audit Plan, Strategy and Charter 2020/21

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:** Non-key decision

1. Describe the issue under consideration

1.1 The Corporate Committee is responsible for reviewing and approving the annual internal audit plan as part of its Terms of Reference.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the Corporate Committee reviews and approves the updated Annual Internal Audit Strategy & Plan for 2020/21 (Appendix A) and the Internal Audit Charter (Appendix B).

4. Reasons for decision

4.1 Local authorities are required by law to maintain an internal audit function. In addition, The Accounts and Audit Regulations 2015 reinforce the statutory requirement and re-state the need for the Council to maintain an adequate and effective system of internal audit.

4.2 The annual internal audit plan is a key element in delivering the Council's statutory requirements. The Corporate Committee is responsible for ensuring that this is in place and approving the Council's Annual Internal Audit Plan.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The methodology for developing the Internal Audit Plan focuses upon the quantification of the risks associated with achieving corporate and directorate objectives. At Haringey, the Internal Audit service is delivered by Mazars, who undertake the majority of the internal audit work in accordance with the contract in place, including IT and procurement audit. For 2020/21 a new multi-skilled Deputy Post has been included in the team's structure. The Head and Deputy

of the team manage the delivery of the audit plan and complete some audits themselves.

- 6.2 The in-house corporate anti-fraud team is responsible for investigations into allegations of financial irregularity, pro-active and reactive corporate anti-fraud work, provision of advice on risk and controls and some grant certification work.
- 6.3 Appendix A contains the proposed annual audit plan for 2020/21, which is risk based and has been derived following consideration of: the Borough Plan and related Priorities; organisational changes; risk registers; corporate programmes and projects; the Annual Audit and Inspection Letter; changes to legislation; and fraud investigation work completed in 2019/20.
- 6.5 Appendix A also includes the audit strategy, and Appendix B the Charter which was used to deliver the Council's internal audit plan. The strategy and charter comply with the statutory 2017 UK Public Sector Internal Audit Standards (PSIAS), which provide a consistent framework for internal audit services across the UK public sector.

7. Contribution to strategic outcomes

- 7.1 Internal audit is an important element of the Council's assurance processes. The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Priority areas. The annual audit plan is a key element in ensuring the Council complies with its statutory responsibilities.

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 which will be completed by Mazars to undertake the annual audit plan in 2020/21 is part of the contract, which was re-let following Cabinet approval in January 2018 in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budgets, which are monitored on a monthly basis.

The presentation of the attached draft annual internal audit plan for approval by this Committee meets the Council's statutory requirement under the 2015 Accounts and Audit Regulations.

8.2 Legal

The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and in noting that the plan and strategy follow best practice and industry standards respectively, confirms that there are no direct implications arising out of 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 – Annual Internal Audit Plan and Strategy 2020/2; and
Appendix B – Internal Audit Charter.

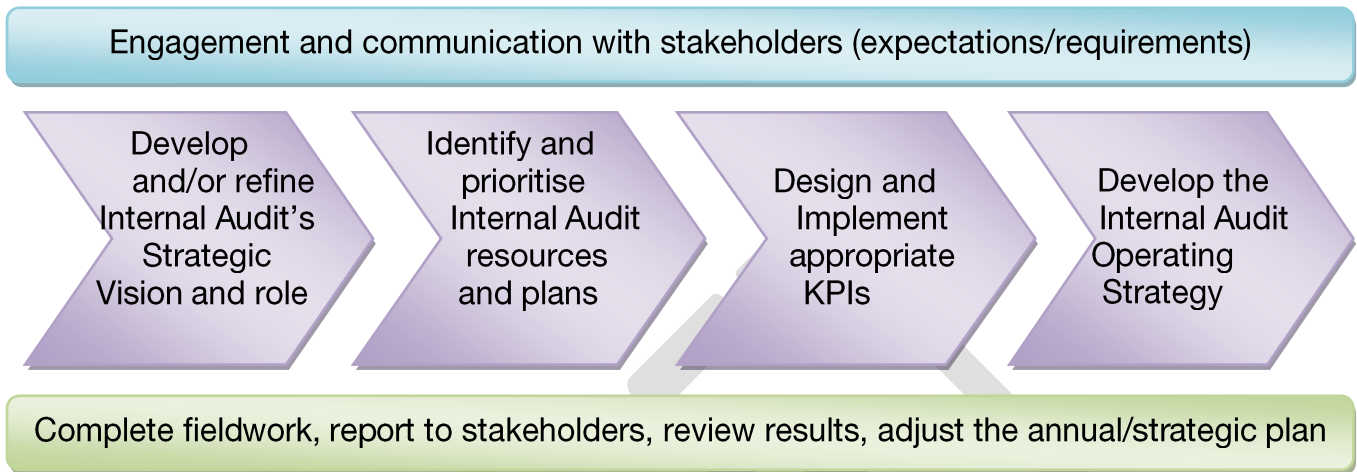
10. Local Government (Access to Information) Act 1985

Not applicable.

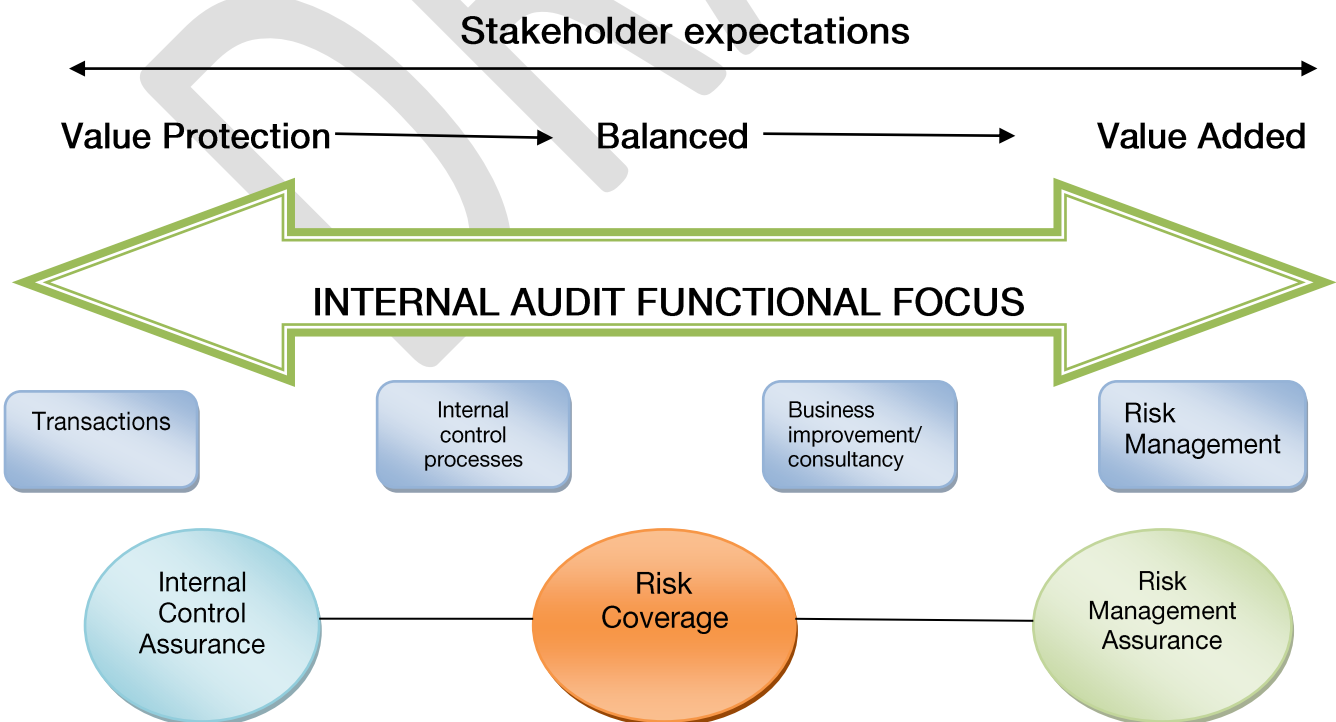
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Internal Audit Strategy – Introduction

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 2020/21

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. A Deputy Head of Audit and Risk Management post has been established and the new post holder starts in February 2020 ready for the new financial year. This role has been established to strengthen the in house senior resources focused on Fraud, Risk, Audit and Governance to ensure the services plans for continuous improvement can be efficiently implemented with less reliance on the private sector. A key area for development is the council's Risk Management Framework by strengthening the formal mechanisms that support management it will be easier to gain insight and provide assurance, to all stakeholder, in future.

The resources available in 2020/21 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:

- The Borough Plan and Corporate Risk Register;
- Risk identified at Priority Boards or within Directorate Management Teams;
- Discussions regarding assurance needs with the Council's senior management, statutory officers and Priority Owners;
- Outputs already available from other independent assurance providers.

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.
- **Advisory:** Supporting management with advice and guidance regarding new systems and processes and how an efficient and effective control environment to manager risk can be implemented. Our mix of in house and outsourced resources, enables us to provide this added value service without conflicts of interest arising.

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. The appropriate officers to receive the report at the draft and final reporting stage of the audit will be determined at the planning stage of the work and reviewed at the end of the fieldwork period to ensure completeness. Summary of findings are reported to the Corporate Committee as part of the quarterly reports and within the Head of Internal Audit's annual report which contributes to the assurances underpinning the statutory Annual Governance Statement of the Council.

DRAFT

Internal Audit Plan 2020/21

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			
Sickness Monitoring and Management	Director of Customers, Trans & Resources	4	10
Insourcing - Arrangements to bring service in-house	Director of Customers, Trans & Resources	2	10
Scheme of delegation / authorisation	Director of Finance	2	10
Declarations of Interests	Assistant Director - Governance	1	10
Review of Human Resources Service	Director of Customers, Trans & Resources	4	15
Sub-total – Corporate Risk Audits			55
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			
Brokerage - Children's Commissioning	Director of Children's Services	2	10
Special Education Needs (Including EHCP)	Director of Children's Services	1	15
No Recourse to Public Funds	Director of Children's Services	3	10
Foster Care Payments	Director of Children's Services	2	10
Social Care Residential Contract Management	Director of Children's Services	4	10

Audit Area	Client	Quarter	Days
Sub-total Priority 2.1			55
Priority 2 People – a Haringey where strong families, strong networks and strong communities nurture all residents to live well and achieve their potential			
Homecare - Transition to the London Living Wage	Director of Adult and Health	1	10
Adaptation - Management and performance	Director of Adult and Health	3	10
Management and Control of Carers Service	Director of Adult and Health	3	10
Adult Social Care Management	Director of Adult and Health	2	15
Safeguarding - Management and Triage arrangements	Director of Adult and Health	2	10
Quality of Care	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.			
Applications review of Parking System	Director of Environment & Neighbourhoods	4	10
Food and Safety inspections (Env Health)	Director of Environment & Neighbourhoods	2	10
Management of the London Construction Programme	Director of Environment & Neighbourhoods	3	10
Waste Recycling Management	Director of Environment & Neighbourhoods	2	10
Administration of Concretionary Travel	Director of Environment & Neighbourhoods	1	10
Pest Control - Fees and Charges	Director of Environment & Neighbourhoods	1	10
Sub-total Priority 3			60
Priority 4 Economy – A growing economy which provides opportunities for all our residents and supports our businesses to thrive.			
Client Monitoring of Homes for Haringey	Director of Housing, Regeneration & Planning	2	15
Capital schemes - Programme Planning, Delivery and Management	Director of Housing, Regeneration & Planning	2-3	25

Audit Area	Client	Quarter	Days
Management of CIL	Director of Housing, Regeneration & Planning	3	10
Buy back programme of ex RTB property	Director of Housing, Regeneration & Planning	1	10
Health and Safety	Director of Housing, Regeneration & Planning	1	10
Sub-total Priority 4			70
Priority 5 Your Council – The way the Council works			
FOBO and the Digital Strategy	Director of Customers, Trans & Resources	3	15
Post implementation review - Benefits service	Director of Customers, Trans & Resources	4	15
Arrangements for maximising Business Rates	Director of Customers, Trans & Resources	2	10
Sub-total Priority 5			40
Corporate IT Audits			
Audit Needs Assessment	Chief Information Officer	1-4	45
Corporate IT Audits			45
Contract and Procurement Audit			
Arrangements for Letting Contracts	Director of Environment & Neighbourhoods	1	15
Contract Management of contracts	Director of Environment & Neighbourhoods	2-3	20
Sub-total – Contract Audits			35
Risk Based Audits of Key Financial Systems			
Use and Management of Purchase Cards	Director of Customers, Trans & Resources	1	10
Accounts Payable	Director of Customers, Trans & Resources	3	10
Teachers' Pensions contributions	Director of Customers, Trans &	3	5

London Borough of Haringey - Internal Audit Strategy and Annual Audit Plan

Audit Area	Client	Quarter	Days
	Resources		
Accounting for Pay and Display Income	Director of Environment & Neighbourhoods	2	10
Income collection (Debtors)	Director of Customers, Trans & Resources	2	10
Management and Use of Contract Waivers	Director of Environment & Neighbourhoods	1	10
Delivery of Financial Savings - two projects	Director of Customers, Trans & Resources	3	20
Attendance, Advice and guidance at Priority Boards	Chief Executive	1-4	20
Sub-total – Key Financial Systems			95
School Audits Risk Based Programme			
Fortismere Secondary	Head Teacher	1	6
Bruce Grove Primary	Head Teacher	1	5
Campsbourne Primary	Head Teacher	1	5
Crowland Primary	Head Teacher	1	5
Ferry Lane Primary	Head Teacher	1	5
Lancasterian Primary	Head Teacher	1	5
Lea Valley Primary	Head Teacher	2	5
North Haringay Primary	Head Teacher	2	5
Our Lady of Muswell Hill Primary	Head Teacher	2	5
Stroud Green Primary	Head Teacher	2	5
Tetherdown Primary	Head Teacher	2	5
Welbourne Primary	Head Teacher	2	5
West Green Primary	Head Teacher	2	5
Belmont Junior	Head Teacher	2	5
Rokesly Junior	Head Teacher	2	5
Rokesly Infants	Head Teacher	3	5
St Peter in Chains Infants	Head Teacher	3	5
Woodlands Park Nursery	Head Teacher	3	5
Riverside Special	Head Teacher	3	5
Follow up of Schools	Head Teacher	3	19
Sub-total – School Audits			115
Follow up of Audit Recommendations		1-4	30
Admin and Management		1-4	70
Risk Management		1-4	75
Contingency		1-4	40
Total			850



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HARINGEY COUNCIL

AUDIT CHARTER 2019



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Policy History					
Version	Summary of Change	Contact	Implementation Date	Review Date	EqIA Date
1.2	Inclusion of IPPF mission and core principles	Head of Audit & Risk Management	December 2017	January 2019	March 2015
1.3	Update for new designation of the Corporate Board, added paras 6.7 and 6.8 and added formal sign off.	Head of Audit & Risk Management	December 2017	January 2019	March 2015

Links and Dependencies

Employee Code of Conduct
 Disciplinary Procedures
 Council Constitution
 Whistleblowing Policy
 Anti-money Laundering Policy
 Anti-bribery Policy

Related Forms

Declaration of Interests Form
 Declaration of Receipt of Gift or Hospitality



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1. Public Sector Internal Audit Standards

- 1.1 The UK Public Sector Internal Audit Standards (PSIAS), which came into effect from 1 April 2013, and were revised in April 2017, provide a consolidated approach across the whole of the public sector providing continuity, sound corporate governance and transparency.
- 1.2 The PSIAS are mandatory and the Head of Audit and Risk Management will report on compliance with the Standards as part of the Annual Internal Audit Report; an independent peer review will be undertaken at least every five years, as required by PSIAS, supplemented by an annual self-assessment to ensure ongoing compliance.
- 1.3 The PSIAS require Haringey Council to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility. This Charter will be reviewed on a regular basis and presented to the Corporate Committee for review and approval.

2. Definition of Internal Audit

- 2.1 The PSIAS mandatory definition of internal auditing has been adopted by Haringey Council as follows:
'Internal auditing is an independent, objective assurance and consulting (advisory) activity designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

3. Mission and Core Principles

- 3.1 The mandatory elements of the International Professional Practices Framework (IPPF) include an overarching 'Mission' for Internal Audit services '*...to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*'.
- 3.2 The 'Core Principles' that underpin delivery of the IPPF mission require internal audit functions to:
 - Demonstrate integrity;
 - Be objective and free from undue influence (independent);
 - Align with the strategies, objectives and risks of the organisation;
 - Be appropriately positioned and adequately resourced;
 - Demonstrate quality and continuous improvement;
 - Communicate effectively;
 - Provide risk-based assurance;
 - Be insightful, proactive, and future-focused; and
 - Promote organisational improvement.



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4. Authority of Internal Audit

4.1 Internal Audit has unrestricted access to all Council records and information, both manual and computerised, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. All the Council's activities, funded from whatever source, fall within the remit of the internal audit service. Audit may enter Council property and has unrestricted access to all locations and officers where necessary, on demand, and without prior notice. This right of access is included in the Council's Constitution (Part Four, Section I, paragraph 5.45).

5. Responsibility and Accountability

5.1 With Haringey Council, the Corporate Committee will fulfil the functions of '**The Board**'; and the Corporate Board will fulfil the functions of '**Senior Management**', as defined by PSIAS.

5.2 The responsibility for maintaining an adequate and effective system of internal audit within Haringey Council lies with the authority's Chief Finance Officer (S151 Officer).

5.3 The Head of Audit and Risk Management is the person designated to fulfil the role of the 'Chief Audit Executive' and is also required to provide an annual opinion to the Council and to the Chief Finance Officer, via the Corporate Committee, on the adequacy and the effectiveness of the internal control system for the whole Council.

5.4 Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the Council as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of internal audit work and to ensure the authenticity of these documents.

5.5 The remit of Internal Audit covers the entire control environment of the Council. Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in organisations wholly or partly owned by the Council.

5.6 Internal Audit may also conduct any special reviews requested by the Council, Corporate Committee or the s151 Officer, provided such reviews do not compromise its objectivity, independence or achievement of the approved annual internal audit plan.

5.7 Internal Audit will consider all requests from the Council's external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, which external audit would need to discharge their responsibilities.



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6. Independence of Internal Audit

- 6.1 The Head of Audit and Risk Management has free and unfettered access to:
- Chair of the Corporate Committee;
 - Chief Executive;
 - Chief Finance Officer;
 - Monitoring Officer; and
 - Any other member of the Corporate Board.
- 6.2 The Head of Audit and Risk Management reports functionally to the Board, and organisationally to the Assistant Director of Corporate Governance, who is also the Council's Monitoring Officer. The Head of Audit and Risk Management has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.
- 6.3 The independence of the Head of Audit and Risk Management is further safeguarded by ensuring that their annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that the Chief Executive and/or the Chair of the Corporate Committee contribute to, and/or review the appraisal of the Head of Audit and Risk Management.
- 6.4 All Council and relevant contractor staff in Audit and Risk Management are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.
- 6.5 Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Corporate Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.
- 6.6 Where it is considered necessary to the proper discharge of internal audit function, the Head of Audit and Risk Management has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Corporate Committee).
- 6.7 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 6.8 The Head of Audit and Risk Management will confirm to the board, at least annually, the organisational independence of the internal audit activity.



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7. Non-audit Areas

7.1 The PSIAS require the Internal Audit Charter to identify any 'Non-audit' areas that fall under the management of the Internal Audit service. For Haringey these are:

- Counter-Fraud. Promoting fraud awareness and maintaining effective anti-fraud policies and procedures; acting as a corporate service for the investigation of irregularities and, where criminal investigation is considered, to liaise directly with the police and advise services on such matters. The Fraud Team plays a specific counter-fraud and investigation role jointly with Homes for Haringey in relation to Housing Tenancy Fraud; the investigation of serious whistleblowing concerns raised via the Council's whistleblowing policy also fall within the Team's remit.
- Insurance and operational risk management. Providing a full claims handling service for the Council and Homes for Haringey; procuring and management of all externally provided insurance contracts; management of the leasehold property insurance portfolio; providing claims related and financial information to managers; and training and development on insurance and operational risk management for staff.
- Risk Management. Providing risk management support to Haringey Council; promoting the consistent use of risk management and ownership of risk at all levels across the Council; managing and reviewing the Council's risk management framework.

7.2 In order to fulfil the requirements of the PSIAS and avoid potential conflicts of interest and loss of objectivity, the 'non-audit' functions are independently audited on a regular basis by the externally procured audit service and the Council's external auditors, with the results reported to the Corporate Committee.

8. Reporting

8.1 The PSIAS require the Head of Audit and Risk Management to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Strategy and Charter and any amendments to them are reported to the Corporate Fraud and Corporate Committee for review and approval;
- The annual Internal Audit Plan is compiled by the Head Audit and Risk Management, taking account of the Council's risk framework and after input from the Statutory Functions Board. It is then presented to the Corporate Committee for formal approval;
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Audit and Risk Management) and the independence of internal audit is reported annually to the Corporate Committee. The approach to providing resource is set out in the Internal Audit Strategy;
- Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to the Corporate Board and Corporate Committee on a quarterly basis;
- Any significant consulting or advisory activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Corporate Committee;

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- Results from internal audit's performance management processes and performance indicators will be reported to the Corporate Committee; and
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the Corporate Committee and will be included in the annual Head of Internal Audit report. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

9. Due Professional Care

9.1 The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards (PSIAS);
- All Council Policies and Procedures; and
- All relevant legislation.

9.2 Internal Audit is subject to a quality assurance and improvement programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK PSIAS, ongoing performance monitoring and an external assessment (peer review) at least once every five years by a suitably qualified, independent assessor.

9.3 A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Audit and Risk Management is required to hold a relevant professional qualification (CCAB or equivalent, or CMIIA) and be suitably experienced.

Internal Audit Activity charter

Approved on 2 December 2019.

Head of Audit and Risk Management (Chief Audit Executive)

Chief Executive (Chief Executive Officer)



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Chair of Corporate Board (Audit Committee)

Report for: Corporate Committee – 18 March 2020

Title: Follow Up - Annual Governance Statement 2018/19

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 To inform the Corporate Committee of the progress to address the significant issues raised in the 2018/19 Annual Governance Statement, which is a statutory requirement and was approved by the Committee in July 2019 and published as part of the Annual Statement of Accounts.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the Corporate Committee notes the contents of this follow up.

4. Reasons for decision

4.1 Not applicable.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The Council is required to produce an Annual Governance Statement (AGS) for publication with the Council's annual accounts. The AGS comments on the Council's governance framework as a whole. Corporate governance brings together an underlying set of legislative requirements, governance principles and management processes.

6.2 The preparation of an AGS is a statutory requirement of the Accounts and Audit Regulations 2015. These regulations require local authorities to produce an annual statement, in accordance with 'proper practice'.

6.3 The AGS is approved at Corporate Board before being presented to the Corporate Committee for approval. The Chief Executive and Leader sign off the statement and the agreed 'significant governance issues' for the period, which includes an action plan identifying responsible officers and deadlines for action.

6.4 The mechanisms within the Council that ensure governance arrangements continue to operate as intended are on-going throughout the year, this activity helps to build the next AGS. The Head of Internal Audit periodically seeks specific assurances that planned actions have taken place.

7. Contribution to strategic outcomes

7.1 Corporate governance is an important element of the external assessment processes. The annual accounts, including the AGS, are subject to audit by the council's external auditors. While the whole of the financial statements may not be qualified, an incorrect or inaccurate AGS may be raised as a recommendation by the external auditors. Ensuring the adequacy and effectiveness of the Council's governance arrangements, which cover all Priority areas, will assist in improving services to residents and other stakeholders.

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 the contents of this report.

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 out of the follow up steps taken.

8.3 Equality

There are no direct equality implications for the Council's existing policies, priorities and strategies as a result of this report. However, ensuring that the Council has effective governance arrangements in place and taking appropriate action to improve these where required will assist the Council to use its available resources more effectively.

This report deals with governance arrangements and their implementation across all areas of the Council, which have an impact on various parts of the community. Improvements in managing governance will therefore improve services the Council provides to all sections of the community.

9. Use of Appendices

Appendix A – Annual Governance Statement 2018/19 – action plan

10. Local Government (Access to Information) Act 1985

Not applicable.

Annual Governance Statement 2018/19 – Follow Up

1.1 The table below is an extract of the 2018/19 AGS, amended to present an updated position with regards each of the issues identified.

Issue	Action	Follow Up February 2020
Delivery of MTFS Savings	<p>The Council has developed a savings programme to respond to the reduction in funding and financial pressures in Children’s and Adults Social Care provision and the use of temporary accommodation. For the financial year 2019/20, the Council’s savings target is £13.7 million. This includes the impact of a review of savings proposals developed before 2018/19 which assessed whether the proposals will deliver the planned savings and where the savings where improbable, the savings proposals were written off.</p> <p>Reports setting out the full financial position of the Council for 2019/20 and the Medium Term Financial Plan for 2020/21 to 2023/24 were reported to Cabinet on 12 February and Full Council on 25 February 2019. These reported total budget reductions required for the period 2019/24 of £50m, for which there were plans to deliver £30m. This represents a fundamental challenge to the Council</p> <p>Responsibility - Director of Finance (S151 Officer) and Corporate Board</p> <p>Due Date - 31 March 2020</p>	<p>There is regular reporting of the financial position of the council to both officers and members. The budget for 2020/21 was approved in February. The s151 officer confirmed plans in place to address the current forecasted overspend for 2019/20.</p>
Schools performance; audit assurance outcomes and financial balances.	<p>During the financial year 2018/19, there has been a marked improvement in the assurances assigned by internal audit as part of the schools’ audit programme with four (30% of schools audited; in 2017/18 this was 45%) schools receiving inadequate assurance. This area will continue to be monitored to ensure the positive trend continues.</p>	<p>The Audit and Risk team still see ad hoc evidence of poor financial management in schools, however there is an increasing cross team response to this to take necessary action including supporting the school</p>

Issue	Action	Follow Up February 2020
	<p>Responsible: Director of Children's Services</p> <p>Due Date: 31 December 2019</p>	<p>to move forward. These governance mechanisms will continue to strengthen into 20/21. It should be noted that overall the assurances in audits are moving in the right direction with a reduction in the number of schools receiving low levels of assurance.</p>
<p>Safety of two social housing buildings at Broadwater Farm.</p>	<p>Two residential tower blocks on Broadwater Farm (Northolt and Tangmere) did not pass structural survey tests. In June, Cabinet considered various options for the two block and on 11 Sept 2019, began consultation with the residents of the two blocks. On 13 November Cabinet agreed to demolish the two blocks and address the rehousing requirements.</p> <p>Responsible: Director of Housing, Regeneration and Planning</p> <p>Due Date: 31 March 2020</p>	<p>Update reports are provided to the Homes for Haringey Board. It is noted that a report was issued to the CAB sub group in November 2019 outlining progress to decant. In addition a report to the Broadwater Farm Scrutiny will be presented in March 2020. Work is on-going with the leaseholders, who remain, in both blocks to negotiate the purchase of properties.</p>
<p>In October 2018, Ofsted carried out an inspection of Children's Social Care Services and published its final report on 14 December 2018. The inspection team recognised the progress the Council has made – and continues to make – in delivering children's social care. Ofsted also identified areas where improvements could still be made. Following the inspection, the service received</p>	<p>The Ofsted inspection of Children's Social Care Services was completed on 9th November 2018 and the report of the findings of the inspection was published on 14th December 2018. The inspection judged all areas inspected as 'requires improvement to be good' and listed nine areas for improvement. A high-level version of an action plan was created and reported to Cabinet on 12th March 2019. A more detailed operational plan which is specific, measurable, realistic and has targets for improvement (SMART) and sets out the actions to improve practice in the identified area has been created and is monitored quarterly through the Children's Improvement Board and at regular one-to-one meetings with the cabinet member for Children, Families and Education and the Director of Children's</p>	<p>The update position reports in September 2019 indicates that at all actions raised were complete or on track to be completed by the target deadline, with the exception of two which were amber indicating more work needed to ensure achievement. These two actions related to placement sufficiency for vulnerable adolescents. It is noted that a full update is on the forward plan for cabinet in June 2020. This will pick up the most recent</p>

Issue	Action	Follow Up February 2020
<p>a 'requires improvement' rating.</p>	<p>Services. Additionally, Ofsted will also review progress on the action plan at the Annual Engagement meeting with the Director of Children's Services. The Cabinet, Children's Scrutiny and Corporate Parenting Advisory Committee will all receive an annual update on the progress of the action plan.</p> <p>Responsible: Director of Children's Services</p> <p>Due Date: 31 March 2020</p>	<p>Ofsted focussed visit which took place in December 2019.</p>
<p>The Council invited the Local Government Association (LGA) to undertake a Corporate Peer Challenge of the Council in February 2019. The report highlighted numerous examples of good practice and raised recommendations where the Council could make further improvements.</p>	<p>Peer challenge is a proven tool for improvement and is a process commissioned by a Council. A small team of experienced local government officers and councillors spend four days on-site and spoke with more than 120 people including a range of Council staff, Councillors, external partners, stakeholders and young people. The report from LGA highlighted many positive areas of the Council such as improvements in Children's Services and Health, Social Care Integration, and the ambitions of the Council as set out in its Borough Plan. The report also raised recommendations for improvement, these have been welcomed and action taken to implement the recommendations.</p> <p>Responsible: Chief Executive</p> <p>Due Date: 31st March 2020</p>	<p>The peer review action plan was discussed at Corporate Board on 27th February to review progress to implement the recommendations raised.</p>

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Report for: Corporate Committee 18 March 2020

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 three months to 31st December 2019 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 three months to 31st December 2019 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 annually Prudential Indicators and a Treasury Management Strategy Statement. CIPFA has defined Treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 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 2019/20 on 25 February 2019. 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 2019/20.
- 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. Finance comments are contained within the body of the 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 – Q1 2019/20 Treasury Update Report

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Treasury Management Update Report Q3 2019/20

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. This quarterly report provides an additional update.

The Authority's treasury management strategy for 2019/20 was approved at a meeting of full Council on 25 February 2019. 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 remains central to the Authority's treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, 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: The headline rate of UK Consumer Price Inflation remained unchanged in November 2019 at 1.5% year-on-year, the same as October 2019, as accommodation services and transport continued to pull the level of inflation below the Bank of England target of 2%. Labour market data remained positive. The ILO unemployment rate continued to hold at historic lows at 3.8%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.5% in November 2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9%.

The Quarterly National Accounts for Q3 GDP showed the UK economy expanded by 0.4% following the 0.2% contraction in Q1. Construction rebounded by 1.2%, reversing the fall of the same magnitude in the previous quarter, while growth in the services sector was up 0.5%, beating the 0.1% gain in Q2. Production increased by a more modest 0.1% and agriculture fell 0.1%. On an annual basis, GDP growth continued to fall further below its trend rate, slipping to 1.1% from 1.2%.

Politics continued to play a major role in financial markets over the period as the UK's progress negotiating its exit from the European Union together with its future trading arrangements has driven volatility, particularly in foreign exchange markets. Following the General Election in December, the new government progressed with achieving Brexit on 31st January 2020, but the subsequent limited Brexit transitional period, which the government is seeking to enforce, will result in continuing economic uncertainty.

The Bank of England maintained Bank Rate to 0.75% in December following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report (formerly the Quarterly Inflation Report) suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

The fallout from the US-China trade war continued and is likely to drag on global growth in 2020, however it has been reported that Phase I of the deal would be signed at the White House on 15th January. The US economy continued to perform relatively well compared to other developed

nations; however, the Federal Reserve started to unwind its monetary tightening through 2019. The Fed cut rates three times to 1.5% - 1.75%, to stimulate growth as GDP continued to slow.

Slow economic growth in Europe continued and Christine Lagarde took control as the head of the European Central Bank. In her first announcement as ECB chief, Ms Lagarde confirmed that the bank would continue to provide the monetary support needed to bring euro area inflation back towards target.

Financial markets: Financial markets adopted a more risk-on approach over the quarter as equities rallied in expectation of ongoing monetary stimulus from central banks. The Dow Jones ended the 2019 calendar year up 22%, while the FTSE 100 and FTSE 250 jumped on the UK general election result with the former gaining 12% during 2019 and the latter around 25%.

Gilt yields remained volatile over the period. From 0.28% at the end of September, the 5-year benchmark gilt rose to 0.60% by the end of December. There were rises in the 10-year and 20-year gilts over the same period, with the former climbing from 0.48% to 0.82% and the latter from 0.88% to 1.24%. 1-month, 3-month and 12-month SONIA (Sterling Overnight Index Average) bid rates averaged 0.63%, 0.76% and 0.93% respectively over the period.

The US yield curve returned to 'normal' over the period with 2-year ending 2019 at 1.56% and the 10-year at 1.91%. German bunds continued to remain firmly negative with the 10-year ending 2019 at -0.19% with 2 and 5-year securities ending at -0.61% and -0.46% respectively.

Credit background: Credit Default Swap (CDS) spreads fell over the quarter. Non-ringfenced bank NatWest Markets plc CDS fell to 50 basis points at the end of December from over 80bp in September, while for the ringfenced entity, National Westminster Bank plc, the spread fell to around 30bp. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 29 and 50bp at the end of the quarter.

Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative.

Moody's revised HSBC Bank's outlook to negative from stable as it expects restructuring costs to negatively impact net income over the next year or two.

The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

Local Context

On 31st March 2019, the Authority had borrowing of £388.8m, and investments of £30.6m arising from its revenue and capital income and expenditure. 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

	31.3.19 Actual £m
General Fund CFR	383.9
HRA CFR	249.8
Total CFR	633.7
Less: *Other debt liabilities	-31.8
Borrowing CFR - comprised of:	601.9
- External borrowing	388.8
- Internal borrowing	213.1

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

The Authority pursued its strategy of keeping 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 2019 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.19 Balance £m	Movement £m	31.12.19 Balance £m	31.12.19 Rate %
Long-term borrowing	365.8	41.7	407.4	3.76
Short-term borrowing	23.0	-23.0	0.0	0.00
Total borrowing	388.8	18.7	407.4	3.76
Long-term investments	0.0	0.0	0.0	0.00
Short-term investments	15.0	-5.0	10.0	1.07
Cash and cash equivalents	15.6	8.2	23.8	0.67
Total investments	30.6	3.2	33.8	0.79
Net borrowing	358.1		373.6	

Borrowing Strategy during the period

At 31st December 2019 the Authority held £408.2m of loans, an increase of £19.4m from 31st March 2019, 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

	31.03.19	Net Movement	31.12.19	31.12.19	31.12.19
	Balance	£m	Balance	Weighted Average Rate	Weighted Average Maturity
	£m		£m	%	(years)
Public Works Loan Board	240.8	41.7	282.4	3.34	28.20
Banks (LOBO)	125.0	0.0	125.0	4.72	40.44
Banks (fixed-term)	0.0	0.0	0.0	0.00	0
Local authorities (long-term)	0.0	0.0	0.0	0.00	0
Local authorities (short-term)	23.0	-23.0	0.0	0.00	0
Total borrowing	388.8	18.7	407.4	3.76	31.95

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, it raised £50m of long term fixed rate loans from the PWLB in the first three quarters of 2019/20, at an average rate of 1.94% 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.

Going forwards into future years, 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 the extent of the Council's 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 Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing is maintained.

Following the decision of the PWLB to increase the rates paid by Local Authorities by 1.0% in October 2019, long-term borrowing will now be considered from a variety of sources besides the PWLB such as banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. The Authority's immediate cashflow requirements can be fulfilled by short term borrowing from other Local Authorities.

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 year, the Authority's investment balances ranged between £24.3 and £83.2 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.03.19	Net	31.12.19	31.12.19	31.12.19
	Balance	Movement	Balance	Rate of	Weighted
	£m	£m	£m	Return	Average
				%	Maturity
					days
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00	0.0
Money Market Funds	0.0	23.8	23.8	0.67	1.0
UK Government:					
- Local Authorities	15.0	-5.0	10.0	1.07	329.0
- Debt Management Office	15.6	-15.6	0.0	0.00	0.0
Total investments	30.6	3.2	33.8	0.79	98.0

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.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

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

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2019	3.37	AA	0%	122	0.77
31.12.2019	4.30	AA-	70%	46	0.78
Similar LAs	4.23	AA-	67%	182	0.92
All LAs	4.11	AA-	60%	59	0.81

Readiness for Brexit: Following the vote in parliament in favour of Prime Minister Boris Johnson's Brexit Withdrawal Agreement Bill, the UK left the EU on the scheduled date of 31st January 2020 and entered into a post-Brexit transition period. The bill bans an extension to this transition period which means if a trade deal cannot be reached by 31st December 2020 the UK would then be forced to trade with the EU under a no-deal scenario. As this new leave date approaches, the Authority will ensure there are enough accounts open with UK-domiciled banks and Money Market Funds to hold sufficient liquidity and that its Debt Management Account Deposit Facility (DMADF) remains available for use in an emergency.

Non-Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return. Further details of the Authority's non-treasury investments are given in the Council's Statement of Accounts and Treasury Management Strategy Statement.

Treasury Performance

Treasury Investments generated an average rate of return of 0.72% in the first three quarters of the year. The Council's treasury investment income for the year is forecast at was £354k against a budget of £136.5k.

Borrowing costs for 2019/20 are forecast in line with budget at Q3, at £15.3m (£10.6m HRA, £4.7m General Fund). In prior years these budgets have underspent 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. Should slippage in the Council's capital programme occur, it will reduce the borrowing requirement, and reduce this forecast.

Compliance

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

The council's total borrowing limits are set out in the table below. The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The Indicator separately identifies borrowing from other long term liabilities such as finance leases. The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

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

The authorised limit and operational boundary do not therefore, set out absolute limits of what the Council expects to borrow in the year.

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

Table 6: Debt Limits

	Q3 Maximum	31.12.19 Actual	2019/20 Operational Boundary	2019/20 Authorised Limit	Complied? Yes/No
Borrowing	415.3m	407.4m	702.4m	752.4m	Yes
PFI and Finance Leases	31.8	31.8m	36.3m	39.9m	Yes
Total debt	447.6m	439.2m	738.7m	792.3m	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure, however, Haringey's debt remained well below this limit at all points in the quarter.

Treasury Management Indicators

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

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.12.19 Actual	2019/20 Target	Complied?
Portfolio average credit	4.30 (AA-)	7.00 (A-)	Yes

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	31.12.19 Actual	2019/20 Target	Complied?
Total cash available within 3 months	£33.8m	£10.0m	Yes

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	31.12.19 Actual	2019/20 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	0.2m	£1m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	-0.2m	£1m	Yes

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

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:

Maturity structure of borrowing	Lower Limit	Upper Limit	31.12.19
under 12 months	0	50%	14.3%
12 months & within 2 years	0	40%	8.8%
2 years & within 5 years	0	40%	17.8%
5 years & within 10 years	0	40%	1.8%
10 yrs & within 20 yrs	0	40%	11.5%
20 yrs & within 30 yrs	0	40%	11.0%
30 yrs & within 40 yrs	0	50%	20.1%
40 yrs & within 50 yrs	0	50%	14.6%
50 yrs & above	0	40%	0

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.

Total short term borrowing: the Council has used short term borrowing (under 1 year in duration) from other local authorities extensively in recent years, as an alternative to longer term borrowing from PWLB, due to the lower interest rates, and corresponding revenue savings. Short term borrowing exposes the Council to refinancing risk: the risk that interest rates rise quickly over a short period of time, and are at significantly higher rates when loans mature and new borrowing has to be raised. With this in mind, the Authority has set a limit on the total amount of short term local authority borrowing, as a proportion of all borrowing.

Short term borrowing	Limit	31.12.19 Actual	Complied?
Upper limit on short term borrowing from other local authorities as a percentage of total borrowing	30%	0%	Yes

Principal Sums Invested for Periods Longer than a 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:

	2019/20	2020/21	2021/22
Actual principal invested beyond year end	0.0m	0.0m	0.0m
Limit on principal invested beyond year end	£10.0m	£10.0m	£10.0m
Complied?	Yes	Yes	Yes

Outlook for the remainder of 2019/20

The global economy continues to slow on the back of ongoing geopolitical issues, primarily the trade policy stance of the US and its spat with China. However, a Phase I of a trade deal between the two countries was signed on 15th January 2020.

The UK economy continues to slow due to both post-Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased. Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets over the period, including bond markets.

Parliament passed Prime Minister Boris Johnson's Withdrawal Agreement Bill and the UK exited the EU on 31st January 2020. The bill ruled out an extension to the transition period for agreeing a trade deal which meant a no-deal Brexit cannot be entirely ruled out for 2020.

Our treasury advisor Arlingclose expects Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit/trade deal outcomes as well as the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judges the risks to be weighted to the downside.

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
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
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

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Report for: Corporate Committee 18 March 2020

Title: External Audit Plan 2019/20

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

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant
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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 2019/20.

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 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.

- 6.2. 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.
- 6.3. 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.
- 6.4. 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 31 May by the Section 151 Officer that they represents a true and fair view of the financial position of the Council. Audits should then be concluded by 31 July and audited accounts published by this date, or, if audits have not concluded audited accounts should be published as soon as possible after this date.
- 6.5. 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 will be the third 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.)
- 6.6. Around 40% of all Local Government audits were not concluded by the 31 July deadline in 2019, Haringey being one of these authorities. Haringey's accounts were signed off by BDO on 22 November, however by 31 December around 20% of audits remained outstanding.
- 6.7. Auditors are under increasing regulatory pressure to complete additional work compared to prior years in order to gain higher levels of assurance before they are able to sign off an audit as complete. This is an industry wide issue, not specific to the public sector, however it has coincided with a point in time where there are additional pressures in local government audit, due to fees being cut by the central body that sets core audit fees.
- 6.8. Local government final accounts and audits are currently the subject of an independent review: the Redmond review. The objectives of this review are to determine:
 - Whether the audit and regulatory framework for local authorities in England is operating in line with the policy intent set out in the [Local Audit and Accountability] Act and the related impact assessment;

- Whether the reforms have improved the effectiveness of the control and governance framework along with the transparency of financial information presented by councils;
- Whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to accounts; and
- To make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers and the wider public interest.

6.9. It is clear that the production and audit of the 2019/20 accounts will be another challenging year for Haringey officers and BDO, our external auditors. Haringey officers have worked with BDO to identify areas which early work can be completed on the accounts in March and April, in an attempt to complete some areas of audit work in advance of the main audit in June and July. However due to the way local government accounts are prepared, there are relatively limited areas where this can be done. In addition to this, during the 2019/20 financial year, Cabinet has approved two material property acquisitions which will have complex accounting implications requiring additional work to be completed by officers, and by BDO in their audit of the accounts. Details of these schemes and the associated transactions have been shared with BDO at an early stage to mitigate against any potential delay in the audit arising from these.

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 plan for the external audit to be carried out by BDO. 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 Report: year ending 31 March 2020

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WELCOME

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We have pleasure in presenting our Audit Planning Report to the Corporate Committee 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 2020 in respect of our audit of the financial statements 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 18 March 2020 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

28 February 2020



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This report has been prepared solely for the use of the Corporate Committee and Those Charged with Governance. 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

Executive summary

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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 2020.

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

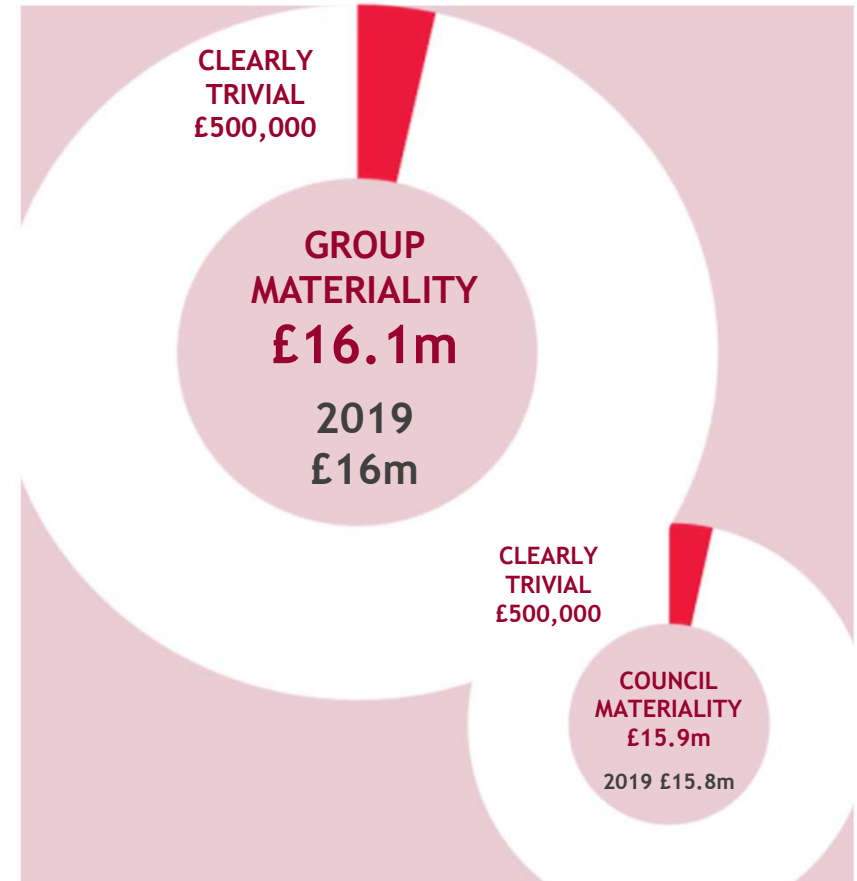
The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the 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 National Audit Office.

Materiality

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

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



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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 Council, 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.

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	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Revenue recognition	Significant	Yes	Substantive	Medium
Expenditure cut-off	Significant	Yes	Substantive	Low
Valuation of PPE and investment property	Significant	No	Substantive	High
Valuation of pension liability	Significant	No	Substantive	High
Non-current asset acquisitions	Significant	No	Substantive	High
Reconciliation of bank accounts	Significant	Yes	Substantive	Low
Allowance for non-collection of receivables	Normal	No	Substantive	Medium
Related party transactions	Normal	No	Substantive	Low
Sustainable finances (use of resources)	Significant	No	Detailed review of MTFs and savings plans	Medium

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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

	2019/20	2018/19
Code audit fee	⁽¹⁾ £158,986	£158,986
Additional audit fee	⁽³⁾ £30,000	⁽²⁾ £48,000
Total audit fees	£188,986	£206,986
Fees for non-audit services - audit related:		
• Certification of housing benefits subsidy claim	£46,223	£46,223
• Certification of pooled housing capital receipts return	£3,500	£3,500
• Certification of teachers' pensions return	⁽⁴⁾ £3,500	⁽⁴⁾ £3,500
Total non-audit services fees	£53,223	£53,223
Total fees	£242,209	£260,209

⁽¹⁾ We will assess the additional work required in respect of the non current asset acquisitions significant risk when the purchases have been complete. If necessary, we will propose and discuss additional fee with management in respect of this work at that point.

⁽²⁾ Additional fees in 2018/19 in response to issues reported in our Audit Completion Report for the year ended 31 March 2019.

⁽³⁾ We have proposed a fee variation to the PSAA scale fee for 2019/20 to be discussed with the Council's Finance staff and the Corporate Committee. This reflects the additional audit work required in response to issues encountered in recent years and significantly greater pressure on auditors to deliver higher quality audits and to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts.

⁽⁴⁾ Work is in progress in respect of the 2018/19 audit following delays in obtaining required documentation. The 2019/20 proposed fee may be subject to change following the completion and finalisation of fee for the 2018/19 audit.

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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 National Audit Office.
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 2019/20 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 whether 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

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As Group auditor we are required to design an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion ISA (UK) 600.

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. Audit Risks, covered later in this report, are cross referenced to each entity to provide clarity over how these arise within your business and where the focus of the audit work will be.

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.

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	Risks 1 - 10	£15.9m	Statutory audit performed by BDO LLP
Homes for Haringey Limited	Manages Haringey council housing	Non significant component	Size	Risk 5	£5m	BDO Group Engagement Team analytical procedures and testing of pension liability assumptions ⁽¹⁾
Alexandra Park and Palace Charitable Trust Limited	Manages the Park and Palace	Non significant component	Size	None identified	£5m	BDO Group Engagement Team analytical procedures ⁽²⁾

⁽¹⁾ PricewaterhouseCoopers LLP perform Homes for Haringey Limited statutory audit. Their statutory audit will not form part of our audit strategy as we will audit the related pension liability, which is only material balance in respect of this entity.

⁽²⁾ Haysmacintyre perform Alexandra Park and Palace Charitable Trust Limited statutory audit. Their statutory audit will not form part of our audit strategy as we will audit the revaluation of Alexandra Palace and its classification once consolidated into the Council's financial statements.

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As audit engagement lead I have primary responsibility to ensure that the appropriate audit opinion is 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 National Audit Office.

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



Kerry Barnes
Senior 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 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 opinion 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.

Description of risk	Significant / Normal risk	Overview of risk
1. Management override of controls		Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.
2. Revenue recognition		Auditing standards presume that income recognition presents a fraud risk.
3. Expenditure cut-off		For public sector bodies the risk of fraud related to expenditure is also relevant.
4. Valuation of PPE and investment property		The valuation of land, buildings, dwellings and investment property is a significant risk as it involves a high degree of estimation uncertainty.
5. Valuation of pension liability		The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.
6. Non-current asset acquisitions		This is a risk that non-current asset acquisitions could be materially misstatements due to their complex nature.
7. Reconciliation of bank accounts		There is a risk that the cash balance could be materially misstated if reconciling items are not cleared on a timely basis or misappropriations could remain undetected.
8. Allowance for non-collection of receivables		There is a risk over the valuation of the impairment allowance for non-collection of receivables if incorrect assumptions or source data are used.
9. Related party transactions		There is a risk that related party disclosures are not complete or accurate.
10. Sustainable finances (use of resources)		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.

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MANAGEMENT OVERRIDE OF CONTROLS

Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

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 journal entries made in the year and post year-end, 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.

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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Auditing standards presume that income recognition presents a fraud risk.

- 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

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

We consider there to be a significant risk in respect of the existence (recognition) of grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).

Planned audit approach

Our audit procedures will include testing a sample of grants included as income in the CIES to ensure that recognition criteria, as set out in supporting evidence from the grant paying bodies, has been met.

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For public sector bodies the risk of fraud related to expenditure is also relevant.

- 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

For net-spending bodies in the public sector there is also risk of fraud related to expenditure.

We consider the risk of fraud to be in respect of the cut-off of expenditure at year-end.

Planned audit approach

Our audit procedures will include checking that expenditure is recognised in the correct accounting period and that all expenditure that should have been recorded has been recorded by substantively testing expenditure around year-end.

VALUATION OF PPE AND INVESTMENT PROPERTY

The valuation of land, buildings, dwellings and investment property is a significant risk as it involves a high degree of estimation uncertainty.

Risk detail

Local authorities are required to ensure that the carrying value of land, buildings and dwellings 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 2020 and updated where there are significant movements at the end of the year.

There is a risk over the valuation of these assets due to the high degree of estimation uncertainty and 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:

- Reviewing the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirming that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewing accuracy and completeness of information provided to the valuer, such as rental agreements and sizes;
- Reviewing assumptions used by the valuer and movements against relevant indices for similar classes of assets;
- Following up valuation movements that appear unusual; and
- Confirming that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.

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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VALUATION OF PENSION LIABILITY

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The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.

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 valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability. In the 2019/20 financial statements the estimate will be based on the submission of membership data from the 2019 triennial valuation exercise that has been completed for the LGPS.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.

Planned audit approach

Our audit procedures will include the following:

- Reviewing the competence of the management expert (actuary);
- Reviewing the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Reviewing the controls in place for providing accurate membership data to the actuary and testing the data provided at the triennial valuation through our audit of the pension fund; and
- Checking that any significant changes in membership data have been communicated to the actuary.

NON-CURRENT ASSET ACQUISITIONS

This is a risk that non-current asset acquisitions could be materially misstatements due to their complex nature.

- 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 plans to acquire a portfolio of freehold residential blocks of 92 homes, this may take place before 31 March 2020. It plans to lease the properties to the Community Benefit Society (CBS), for a period of seven years after which further decision making will take place as to how these properties are utilised. The CBS was registered in November 2019 and is governed by charitable principles, whose purpose is to acquire and hold homes which can be used by the Council as either temporary accommodation or a long term settled home. These CBS properties will be managed by Homes for Haringey under a management agreement. The properties are being acquired for the housing purposes under section 17 of the Housing Act 1985 and it is proposed that acquisition and associated costs will be met through the application of retained right to buy receipts and Council borrowing in the HRA.

The Council also plans to acquire the freehold interest in Alexandra House before 31 March 2020 which will enable the Council to use the building as office accommodation in the medium term or longer term if necessary. Acquiring the freehold interest will require the Council to purchase 100% of shares in the company Ability (Wood Green).

Both purchases will be material, and will require consideration of complex entity structures and appropriate asset valuations for the financial statements, which presents a significant audit risk.

Planned audit approach

- Review supporting documentation and completion documents to ensure the assets were acquired before the year-end;
- Review managements consideration of entity structures and accounting in the financial statements; and
- Critically evaluate the classification of the related non-current assets and revaluations.

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RECONCILIATION OF BANK ACCOUNTS

There is a risk that the cash balance could be materially misstated if reconciling items are not cleared on a timely basis or misappropriations could remain undetected.

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

In the prior year we identified that there were very large and old unreconciled items on the bank general ledger.

A complete bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling items should relate to short-term timing differences. There is therefore a significant risk that the cash balance could be materially misstated if reconciling items are not appropriate timing differences.

Planned audit approach

Our audit procedures will include the following:

- We will review and evaluate the controls introduced, as a result of our findings in the prior year, to reduce unreconciled differences on the bank reconciliation; and
- We will test unreconciled items on the bank reconciliation to ensure reconciling items are appropriately cleared after the year-end.

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

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 normal risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied. We do not consider this to be a significant risk as the Council has, in previous years, applied reasonable assumptions in respect of these allowances.

Planned audit approach

Our audit procedures will include reviewing 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.

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

RELATED PARTY TRANSACTIONS

There is a risk that related party disclosures are not complete or accurate.

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 or accurate.

Planned audit approach

Our audit procedures will include the following:

- Reviewing management processes and controls to identify and disclose related party transactions;
- Review bank and legal confirmations and minutes of Council meetings;
- Reviewing other relevant information concerning any such identified transactions;
- Discussing with management and reviewing councillors' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertaking 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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The Council will need to deliver its savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

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

As at the end of quarter 2, the Council was forecasting a full year deficit of £9.98 million for 2019/20. This mainly relates to overspends in Dedicated Schools Grants (DSG) of £5.1 million. The new DSG regulations allow for recovery plans to be put in place with the Department for Education so that councils are not required to fund DSG deficits from general reserves. The other main overspend relates to Adult Social Care amounting to £3.8 million as a result of increased demand in the service, however savings built into the service as part of the MTFS are on track for 2019/20.

In February 2020, the Council updated its Medium Term Financial Strategy (MTFS) covering the period 2020 to 2025. Since the Local Government Finance Settlement was published on 20 December 2019, the 2020/21 budget now assumes a 1.99% increase to Council Tax, an additional 2% Audit Social Care precept and grant funding for other key funding streams such as grants to help homelessness. This additional funding as well as some corporate adjustments mean that the Council has set a balanced budget for 2020/21. The additional funding has been assumed for future years as part of the MTFS but it is recognised that funding requirements could change and negatively impact on the MTFS.

The Council has identified savings plans over the medium term but there is currently a £15.5 million funding gap, cumulative to 2025. The savings targets are significant and the achievement of these is inherently challenging.

There is a significant risk that any shortfall in the delivery of savings, non realisation of assumed government funding and failure to reduce the current funding gaps will have a negative impact on future projected targets in the MTFS.

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 funding applied;
- Monitor the delivery of the budgeted savings in 2019/20 and the plans to reduce services costs and increase income from 2020/21; and
- Review the strategies to close the budget gap in the coming years.

GOING CONCERN

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Council's responsibilities

It is the responsibility of Director of Finance to make an assessment of the Council's ability to continue as a going concern to support the basis of preparation for the financial statements and disclosures in the financial statements. This is a requirement of the accounting standards.

This assessment should be supported by detailed cash flow forecasts with clear details of the key underlying assumptions, consideration of available finance throughout the forecast period, and a consideration of the forecast's sensitivity to reasonably possible variations in those assumptions along with any other relevant factors.

The going concern assessment should cover a minimum of 12 months from the date of the approval of the financial statements. However, consideration should also be given to any major events or circumstances that may fall outside this period.

Audit responsibilities

Our responsibilities in respect of going concern are:

- To obtain sufficient appropriate audit evidence regarding, and conclude on, i) whether a material uncertainty related to going concern exists; and ii) the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and
- To report in accordance with ISA (UK) 570.

We will obtain an understanding of the business model, objectives, strategies and related business risk, the measurement and review of the Council's financial performance including forecasting and budgeting processes and the Council's risk assessment process. We will evaluate:

- The method, including the relevance and reliability of underlying data used to make the assessment, whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.
- The plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances.
- The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.

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Fraud

Whilst the Members of the Council and Director of Finance have ultimate responsibility for prevention and detection of fraud, 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 small number of low value actual, alleged or suspected incidences of fraud reported by the Council. We request confirmation from the Audit Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Management believe that there is low risk of material misstatement arising from fraud and that controls in operation would prevent or detect material fraud.

Significant accounting estimates and judgements

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

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 the CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards or other direction under the circumstances

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 will review relevant reports issued by the Council's internal audit function 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 organisation includes VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We will make enquiries of management and review correspondence with the relevant authorities.

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

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; and
- Northgate.



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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 auditing standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads 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 2020.

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 that 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.

Non-audit services

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

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

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COUNCIL'S RESPONSIBILITIES

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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 filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2019/20, 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 materially accurate 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

Responsibilities and reporting

Our responsibilities and reporting - financial reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your 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 Statement of Accounts 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 National Audit Office 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 the 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.



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COMMUNICATION WITH YOU

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Those charged with governance

References in this report to those charged with governance ('TCWG') 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 TCWG of the parent and the Group, we consider TCWG 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.

Audit Planning Report

The Audit 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.

TEAM MEMBER ROTATION

These tables indicate the latest rotation periods normally permitted under the independence rules of the FRC’s Ethical Standard.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members 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 after
Leigh Lloyd-Thomas Engagement Partner	5	5 years Rotation required 2020/21
Kerry Barnes Senior Audit Manager	3	10 years

Independence - audit quality control

	Number of years involved	Rotation to take place after
Engagement quality control reviewer	2	10 years

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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; and
- Instances when greater precision is required (e.g. Remuneration and Staff Report and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transactions, 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; and
- 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



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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AQR RESULTS 2018/19

BDO performance

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Overview

The FRC released their Audit Quality Review (AQR) results for the 7 largest accountancy firms in July 2019 for the review period 2018/19. A copy of all of the reports can be found on the [FRC Website](#). We are very proud of our results in this review period where, for the second year running, 7 of the 8 files reviewed were assessed as either good or requiring only limited improvements.

Firm's results

The graphs demonstrates our performance in relation to the other 6 largest firms and our continuous improvements and maintenance of that improvement over the last 6 review periods .

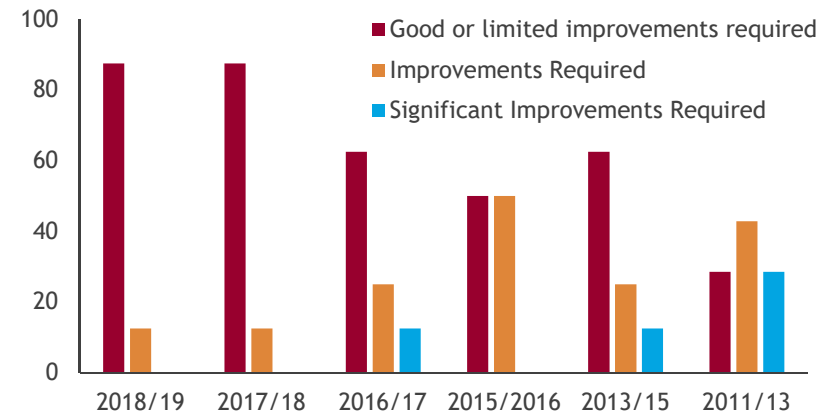
We include details of our model 'The Cycle of Continuous Improvement' on the next page. We acknowledge that the firm has performed well over the last few years however we are not complacent and need a strong process in place to maintain this high level of audit quality and deal rapidly and effectively with issues as they arise. This also highlights how our program of root cause analysis plays an important role in high audit quality.

We would encourage you to read our report which includes:

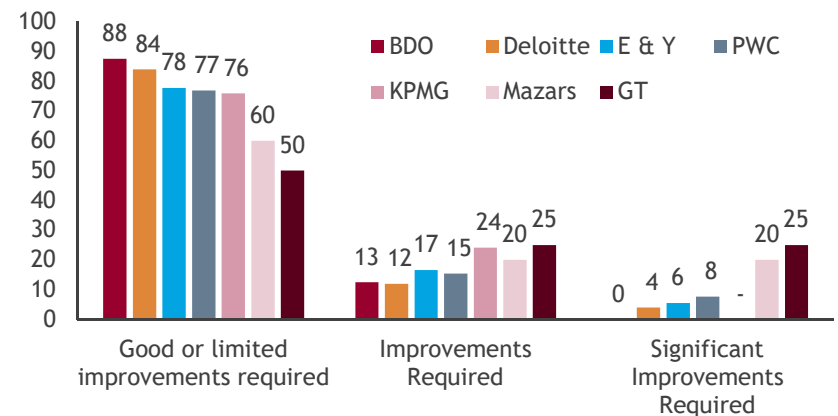
- Details of the root cause analysis we have been undertaking to address issues raised;
- The actions we have/are undertaking to address the issues raised by the AQR; and
- A number of areas of good practice the AQR review team identified whilst undertaking their review.

More details are included in our Transparency Report which is available on our website www.bdo.co.uk.

BDO AQR Results - year on year



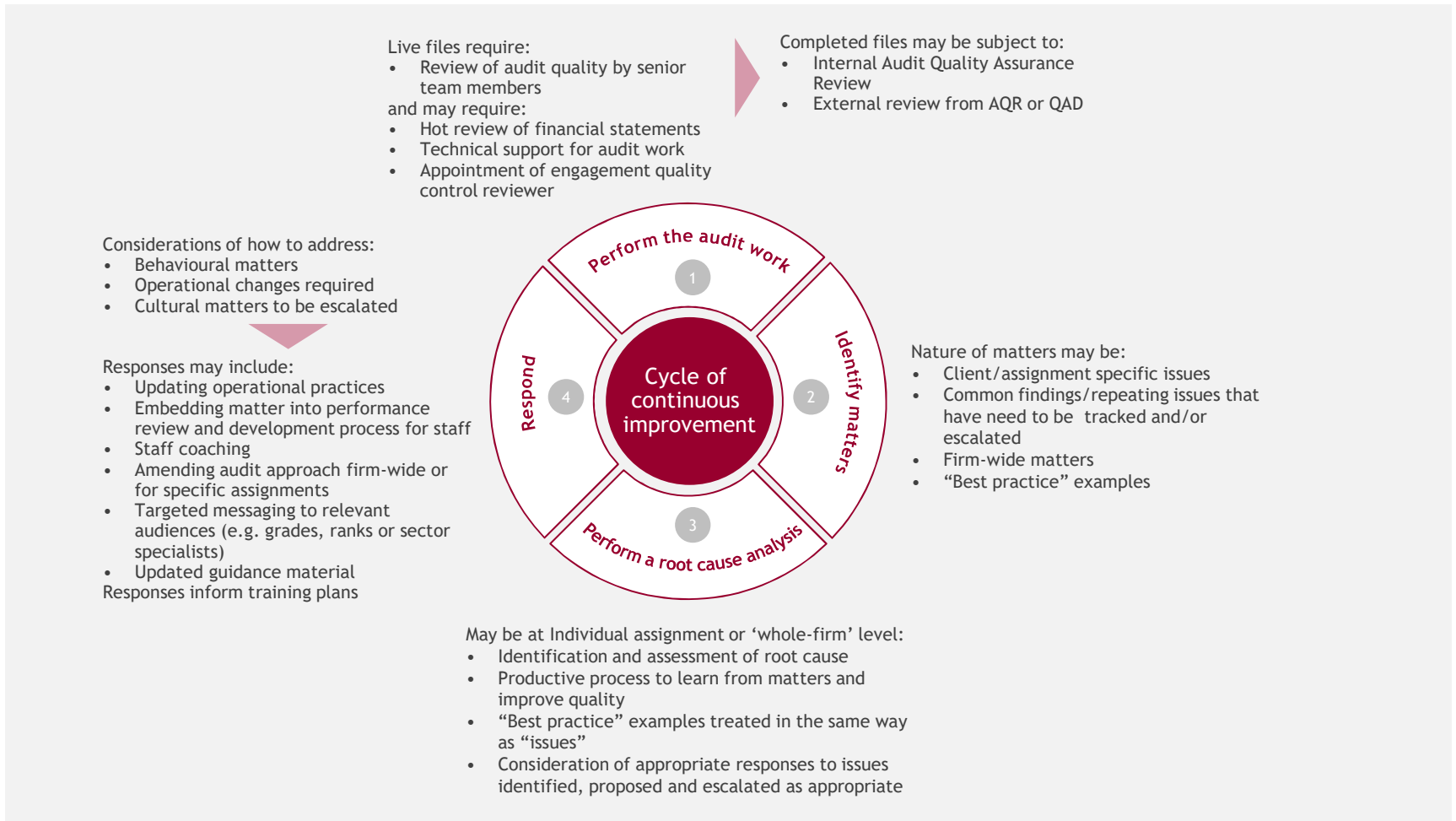
Big 7 Firms - Results 2019



AQR RESULTS 2018/19

The Cycle of Continuous Improvement

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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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