#### NOTICE OF MEETING

## **CORPORATE COMMITTEE**

Thursday, 30th July, 2020, 6.30 pm - Microsoft Teams Meeting: Watch it <a href="https://example.com/here">here</a>

**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

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 - 6)

To consider and agree the minutes of the meeting held on 3<sup>rd</sup> February 2020.

- 7. SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSE TO INTERNAL AUDIT REPORT ON DISPOSAL OF ASSETS OCTOBER 2019 (PAGES 7 10)
- 8. UPDATE ON THE AUDIT OF THE HOUSING DELIVERY PROGRAMME (PAGES 11 32)
- 9. RECOMMENDATIONS AND MANAGEMENT RESPONSE TO SCHOOLS AUDIT (PAGES 33 36)
- 10. TREASURY MANAGEMENT OUTTURN 2019/20 (PAGES 37 50)
- 11. STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT PLAN 2019/20 (PAGES 51 90)
- 12. TREASURY MANAGEMENT STRATEGY REVIEW (PAGES 91 100)
- 13. DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20 (PAGES 101 142)
- 14. ANNUAL SCHOOLS AUDIT REPORT 2019/20 (PAGES 143 152)
- 15. ANNUAL INTERNAL AUDIT REPORT 2019-20 (PAGES 153 178)
- 16. AUDIT AND RISK UPDATE (PAGES 179 186)

- 17. UPDATED ANNUAL INTERNAL AUDIT PLAN 2020/21 (PAGES 187 200)
- 18. RISK BASED VERIFICATION POLICY FOR HOUSING BENEFIT AND COUNCIL TAX REDUCTION CLAIMS (PAGES 201 204)
- 19. IMPACT OF COVID-19 ON HEALTH AND SAFETY FUNCTIONS (PAGES 205 210)
- 20. UPDATE ON RENAMING OF BLACK BOY LANE (PAGES 211 222)
- 21. NEW ITEMS OF URGENT BUSINESS

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

#### 22. EXCLUSION OF THE PRESS AND PUBLIC

Items 23 onwards are likely to be subject to a motion to exclude the press and public be from the meeting as they contain exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); paragraph 3.

- 23. STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT PLAN 2019/20 (PAGES 223 228)
- 24. RISK BASED VERIFICATION POLICY FOR HOUSING BENEFIT AND COUNCIL TAX REDUCTION CLAIMS (PAGES 229 236)
- 25. ITEMS OF EXEMPT URGENT BUSINESS

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

- 26. ANY OTHER BUSINESS
- 27. DATE AND TIME OF NEXT MEETING

17<sup>th</sup> September

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 Wednesday, 22 July 2020



# 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 2<sup>nd</sup> 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 23<sup>rd</sup> 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 23<sup>rd</sup> 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, infact, 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		
	18 <sup>th</sup> March		
CHAII	R: Councillor Isidoros Diakides		
Signed by Chair			
Date .	Date		

# Corporate Committee Action Tracker

Mtg. Date	Action	Response	Who by	Completed
3 <sup>rd</sup> February	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.	Response emailed to Members on 25 <sup>th</sup> February	Clerk	Completed
2 <sup>nd</sup> December	The Committee requested a follow up report on housing benefit overpayment for next year and also requested that it include some analysis on the Risk Based Verification model and the wider implementation of the FOBO programme	RBV update coming to July Meeting. Housing Benefit overpayment included in external audit report.	Andy Briggs/Amelia Hadjimichael	Scheduled for a future meeting
2 <sup>nd</sup> December	The Chair requested that officers give some further consideration of how best to present an annual fraud target.	The Audit team's work includes two grip indicators that are reported to the Corporate Committee. The targets have been set to provide a measure of the performance of the service, though it is recognised that when reporting the performance of the service, the report should take a holistic view of fraud matters, including consideration of proactive anti-fraud measures.	Minesh Jani	Ongoing
2 <sup>nd</sup> December	Officers to send round a schedule of training that was undertaken and Members would provide feedback on where they thought there was a gap and where improvements could be made. The Chair requested that training be made available to other councillors as well.	In progress.	Minesh Jani	Scheduled to a future meeting

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# Agenda Item 7

Report for: Corporate Committee 30<sup>th</sup> July 2020

Title: Summary of Recommendations and Management Response

to Internal Audit Report on Disposal of Assets October 2019

Report

authorised by: David Joyce, Director of Housing, Regeneration & Planning

**Lead Officer:** Christine Addison, Interim Director of Capital Projects & Property

Ward(s) affected: All

Report for Key/ Non-Key

Non Key Decision:

#### Describe the issue under consideration

- 1.1. This report provides a summary of the audit recommendations, management response and implementation by the Strategic Property Unit to the internal Audit Report on Disposal of Assets, October 2019.
- 1.2. The report is for information.

#### 2. Recommendations

2.1. That the report be noted.

#### 3. Report – Areas of Improvement and Action Plan

- 3.1. The report undertaken by Mazars provided Limited Assurance, and made five recommendations, to which Strategic Property Unit (SPU) provided a management response and timescale for implementation.
  - 3.1.1. There was one recommendation regarding Policy and Procedures and this was given a Priority 1 by Mazars. This referred to the need for an Official Disposals Policy to be developed, to cover current council practices regarding disposals in line with council objectives. The policy should be formally approved, and records of approval should be maintained. The policy should be available to all staff, via the appropriate medium, such as a shared drive.
  - 3.1.2. SPU management response confirmed that this would be implemented by March 2020 and this was achieved ahead of timescale with the Disposals Policy being agreed by Cabinet on 11<sup>th</sup> February 2020 as part of the Asset Management Plan.
  - 3.1.3. There were 4 further recommendations, all given a Priority 2 by Mazars.
  - 3.1.4. The Asset Management Plan should be completed and adopted. SPU management response confirmed this was in course of preparation for formal adoption by March 2020. This was achieved ahead of timescale



with the Asset Management Plan approved by Cabinet on 11<sup>th</sup> February 2020.

- 3.1.5. The surplus to requirements status on the Disposals tracker (maintained by Strategic Property) should be updated to reflect the current status of the property. SPU management response confirmed this recommendation was implemented from a date shortly after the Audit.
- 3.1.6. Property valuation reports should be retained on the shared drive, or where valuation reports have not been completed notes should be made on the tracker identifying the reason. SPU management response confirmed valuations are now saved to a confidential folder in the shared drive for valuation for access by valuers.
- 3.1.7. The disposals tracker should be updated and maintained so that information is current for all properties considered for disposal. SPU management response confirmed that all properties are now classified as to their current status or a reason given for not being able to locate historical information. SPU confirmed that from April 2020 voids, acquisitions and disposals would be reported via the Asset Management and Estate Management software platform (new Estate Management Database). This has been delayed owing to the new SAP provider going live on 1st June, and as a result the Estates Management Database is expected to be implemented by 1st September. This will hold data in real time to ensure that management reports are continuously up to date. Until then the disposals tracker will be updated manually on a monthly basis.
- 3.1.8. In carrying out the Audit, Mazars selected a random sample of 20 properties from the disposals tracker, of which details of 6 properties were not provided during the Audit. These were small historic disposals carried out in 2016/17, which pre-dated the formation of SPU and were initiated by Public Health and in one case Regeneration.
- 3.1.9. SPU are now carrying out a Property Governance Review which will ensure that Strategic Property oversee all acquisitions and disposals initiated by the Council. The Review outcome will ensure that the Council utilises, acquires and disposes, if required, of building assets to the corporate benefit of the whole Council.
- 4. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

4	•	1	<b>Finance</b>
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N/A

4.2. Procurement

N/A

4.3. Legal[Name and title of Officer completing these comments]

N/A



4.4. Equality
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N/A





# Page 11 Agenda Item 8

Report for: Corporate Committee – 30<sup>th</sup> July 2020

Item number: To be added by the Committee Section

Title: Update on the Audit of the Housing Delivery Programme

Report

Authorised by: David Joyce, Director of Housing, Regeneration and Planning

Lead Officer: Robbie Erbmann, Assistant Director of Housing

Ward(s) affected: N/A

Report for Key/

Non-Key Decision: Non-Key Decision

#### 1. Describe the issue under consideration

1.1. This report provides an update on actions taken on the recommendations that were highlighted from the Audit that was carried out by Mazaars between October to November 2019, of the Council House Delivery Programme, where the outcome of the Audit was Limited Assurance.

#### 2. Cabinet Member Introduction

2.1. N/A.

#### 3. Recommendations

- 3.1. It is recommended that Corporate Committee:
- 3.2. Note that whilst the original deadline for actions set out in the Audit was April 2020, and actions were initially going to be delivered slightly later than this, Covid-19 has significantly delayed the timescales for completing the work for the reasons set out in paragraph 6.10 of the report.
- 3.3. Note the progress made to date on actions following the Audit and the further work required to comply with the recommendations in the Audit as set out in paragraphs 7.14, 7.16, 8.8 and 9.5 of the report.
- 4. Reasons for decisions

N/A

5. Alternative options considered

N/A

#### 6. Background information

6.1. As part of the 2019/20 Internal Audit Plan, an internal audit was carried out by Mazaars of the Council House Delivery Programme.

- 6.2. The objective of the Audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to Audit providing an opinion on the extent to which risks in this area are managed.
- 6.3. A draft report was provided by Audit in December 2019 and after management responses were given and accepted by Audit, the Final Report was issued on 27<sup>th</sup> January 2020 and is attached as appendix 1 of this report.
- 6.4. Audit analysed and reviewed the following risk areas:
  - Strategy and Objectives
  - Project Planning
  - Governance
  - Monitoring
  - Funding and Budget Management
  - Risk Management
  - Change Management
  - Management Reporting
- 6.5. From this review, Audit initially identified 6 areas for further improvement which were:
  - Estimate of Final Cost and Cashflow
  - Programme Highlight Report
  - Strategic Risk Register
  - Project Brief
  - Project Tracker
  - Communications Plan
- 6.6. Following the draft report, further information and evidence was provided to Audit by the Housing Delivery Team, where it was accepted that there was already appropriate processes and controls in place for the three areas; project brief, project tracker and the communications plan.
- 6.7. However, whilst project brief, project tracker and the communications plan have processes in place and are no longer areas of concern for Audit, this report will provide a brief update on these activities since the Final Report was issued.
- 6.8. The outcome of the Final Report was that there were three remaining areas that required further action; estimate of final cost and cashflow, programme highlight report and strategic risk register. The recommendations for each are detailed in paragraphs 7.3, 8.2 and 9.2 of the report.
- 6.9. It is relevant to add that the programme was at a very early stage at the time of the audit, where the project team had only been recruited in September 2019, so there has been little time to develop a comprehensive delivery architecture.
- 6.10. Additionally the team were impacted considerably by the Covid-19 pandemic as 3 staff were partly redeployed to support urgent frontline Covid-19 work, 3 staff were ill with the virus and another 2 were impacted due to family members being treated for Covid-19, of which one suffered a bereavement.

Team members also had to cover the work of those who were being impacted by the virus.

- 7. Progress update on areas of concern
- 7.1. Estimate of final cost and cashflow
- 7.2. Estimate of final cost and cashflow was rated as a Priority 1 concern. It was felt that where cashflow is not monitored, there is a risk projects may have an adverse impact on the council's cashflow and an increased risk of unexpected overspends on completion.
- 7.3. Audit's recommendation was that throughout the progress of any individual project, periodic estimates of final cost should be produced and compared against original budget, along with cashflow forecasts. The response to these recommendations is set out in paragraphs 7.7, 7.10 and 7.14.
- 7.4. At the time of the Audit, the programme was at an early stage, where most projects were only just going through the appropriate gateway process for funding, so there was little budgeting to report.
- 7.5. However, there was a clear gap in the financial budgeting of the programme and the Finance Team had been seeking to recruit specific financial expertise since the programme gathered momentum in autumn 2019.
- 7.6. In March 2020, a Principal Accountant was recruited, whose primary role is to work with the Housing Delivery Programme to ensure projects can be delivered within the viability of the Housing Revenue Account business plan.
- 7.7. The Principal Accountant will also work with the Programme Manager to provide periodic estimates of final cost which will be compared to the original budget to ensure costs are within approved budgets.
- 7.8. This close working relationship with the Principal and Management Accountants will ensure that the programme works within the confines of the Housing Revenue Account and that the programme remains sustainable.
- 7.9. To accurately report on cashflows the Housing Delivery Programme procured a Sequel database in 2019, which required configuration and staff required the appropriate training.
- 7.10. Using Sequel will help project managers appropriately manage cashflow forecasts and highlight any variances which will be captured in project highlight reports and will inform part of the programme governance process as detailed in paragraphs 8.4 and 8.8.
- 7.11. The COVID-19 lockdown has impacted the Sequel set-up training due to remote working and availability of the provider's consultants which has resulted in a significant delay to the process.
- 7.12. To move the situation forward, negotiations with the provider resulted in a series of tailored remote training sessions in May 2020, with Sequel consultants to train and support our finance accountants with the uploading and reporting of SAP spend.

- 7.13. Further sessions were developed and delivered remotely in June 2020 to project managers on reviewing and forecasting project cashflows.
- 7.14. This work has resulted in the development of a monthly process where actual spend is uploaded into the Sequel database and following this, project managers will check the spend against their projects and reforecast any cashflows and revise latest estimates.
- 7.15. Notwithstanding the Sequel process requiring time to be embedded, it is also an important part of the process that all requests for pre contract budgets have finance oversight and are approved at Council House Delivery Board. There are also monthly meetings with Finance to review capital spend.
- 7.16. Once the financial costs and cashflow reporting has fully been set up, this information will be reported to Council House Delivery Board monthly or as appropriate commencing in September 2020.

#### 8. Programme highlight report

- 8.1. For Programme highlight report, Audit's observation was that reports to Council House Delivery Board do not include monitoring of cost against budget, changes, timescales, and risks. It was stated there is a need to develop the reporting across the programme, developing milestones & costs. Where there is no comprehensive monitoring of progress there is an increased risk that key issues are not identified and escalated for action.
- 8.2. Audit's recommendation was that reports should be developed for the Council House Delivery to include reporting on estimates of cost against budget, progress against agreed project milestones, key project risks and proposed changes to the programme.
- 8.3. At the time of the Audit, the Programme was still at an early stage and the programme governance process (including highlight reporting) was still being developed and refined.
- 8.4. Since the results of the Audit, a programme highlight reporting process along with templates has been developed but the training and roll out of this procedure has been delayed due to the lockdown of Covid-19 as all staff have been working from home and resources were severely impacted due to effects of the virus as per paragraph 6.10.
- 8.5. As a return date to the office environment is uncertain, remote training sessions on the new programme governance procedure have been set up and have started to be carried out and these will be completed by the end of July 2020.
- 8.6. Whilst there were mechanisms in place for approvals of spend, gateway controls and capital budget monitoring activities, it was recognised that to adequately support governance of such a big programme, there was a lack of programme resources. Whilst there needs to be a review of the level of programme resources required, it was identified in the immediate term, that a recruitment of an interim programme management officer was a key requirement to support an appropriate governance framework.

- 8.7. Again, the Covid-19 crisis has delayed the recruitment of this post but just recently after a round of remote interviews a successful candidate has been recruited and will start by the end of July 2020.
- 8.8. Programme highlight reporting to Council House Delivery Board will commence in September 2020.

#### 9. Strategic risk register

- 9.1. The Audit observation on the Strategic risk register was that the Programme risk register had not been regularly updated and that where the register is not reviewed and updated on a regular basis, there is an increased risk that such risks are no longer up to date and fully relevant, and hence the programme may become subject to unexpected factors causing delay.
- 9.2. The recommendation was that Programme risk register should be presented to each meeting of the Council Housing Delivery Board for review and update.
- 9.3. The work to improve risk monitoring is very much linked with the Programme highlight report work and there have been clear templates and training developed to ensure that risks are adequately captured, monitored and mitigated, following the corporate risk management policy.
- 9.4. Strategic risks to the overall programme will be updated, however as strategic risks are unlikely to change on a monthly basis then it is suggested (subject to approval by Council House Delivery Board) that strategic risks will be presented and reviewed quarterly. However, if strategic risks become more severe and require additional controls and further action, these will be presented to Council House Delivery Board to be reviewed sooner at the next monthly Board.
- 9.5. The new highlight report process will capture project risks, which will determine programme risks. Risk management will be trained and rolled out as part of the highlight report process already mentioned and will be reported to Council House Delivery Board as part of the suite of programme highlight reporting from the next Board in September 2020.

#### 10. Progress update on project brief, project tracker & communications plan

#### 10.1. Project brief

- 10.2. There was a concern that project briefs were not being prepared for all sites and the recommendation was that project briefs should be produced for all new sites proposed for inclusion in the programme.
- 10.3. It was evidenced before the Audit was completed that all new projects had a project brief as part of the Gateway 0 approval process which was presented at the Council House Delivery Board. This project brief is an evolving document that will be populated as the project develops. Additionally, a detailed project brief is developed at the tender of contracts stage.

#### 11. Project tracker

- 11.1. There was an observation that the project tracker which tracked actions following project review meetings was not being updated in time and the recommendation was that records should be promptly updated, and where such actions are overdue, there should be an assessment on the impact on the delivery of the project on the programme as a whole.
- 11.2. Audit stated that the action tracker should identify individual project managers for each project, which was completed before the new reporting cycle started and records are now promptly updated on the live document as per paragraph 11.3.
- 11.3. During the Audit, a new reporting cycle was developed for the Leader and Lead Member where actions from project review meetings were actioned urgently by the end of that week, as the accurate status of projects was required for informing the monthly Leader's report. Since then, a new dynamic process of working collaboratively on a shared live spreadsheet has removed the need for a tracker document.

#### 12. Communications Plan

- 12.1. Audit identified that a draft Communications Plan was developed which identifies the background to the programme and how it links to Corporate Priorities. It established a communications objective, the target audience and means of reaching different target stakeholders.
- 12.2. The recommendation was that this draft Communications Plan was presented Council House Delivery Board for formal review and approval which was done in September 2019.
- 12.3. Following the Audit there has been significant work in developing a comprehensive Communications, Consultation and Engagement Procedure Notes and Guidance, for the Housing Delivery team to follow which provides a clear process of engagement at the different gateway stages of the development cycle. This was shared and approved at Council House Delivery Board in May 2020.
- 12.4. Furthermore, as a result of the COVID-19 pandemic, traditional methods of face to face engagement has not been possible, and an alternative method of consultation and engagement approach has been developed to ensure stakeholder engagement and statutory consultation can be held remotely and with accessibility and inclusion in mind. This approach was shared with Council House Delivery Board in July 2020.

#### 13. Contribution to strategic outcomes

13.1. The Council Housing Delivery Programme is at the heart of delivering the top priority in the 2019-2023 Borough Plan - a safe, stable, and affordable home for everyone, whatever their circumstances. Outcome 1 of that housing priority in the Borough Plan states "we will work together to deliver the new homes

Haringey needs, especially new affordable homes", with specific objectives to "deliver 1,000 new Council homes at Council rents by 2022" and to "secure the delivery of supported housing that meets the needs of older, disabled and vulnerable people in the borough".

#### 14. Statutory officer comments

**Finance** 

14.1. Finance is working with the service to address the issues highlighted in the audit report and is aware of the delays in implementing some of the recommendations due to COVID. The HRA business plan review provides an avenue to ensure that all recommendations are fully implemented.

Legal

14.2. The Assistant Director of Corporate Governance has been consulted on the content of this report. There are no legal implications arising from this report.

**Procurement** 

14.3. This report does not have Procurement implications.

**Equalities** 

14.4. This report does not have equality implications.

#### 15. Use of appendices

Appendix 1-19-20 Council House Delivery Final Report issued 270120.pdf

16. Local Government (Access to Information) Act 1985

As above

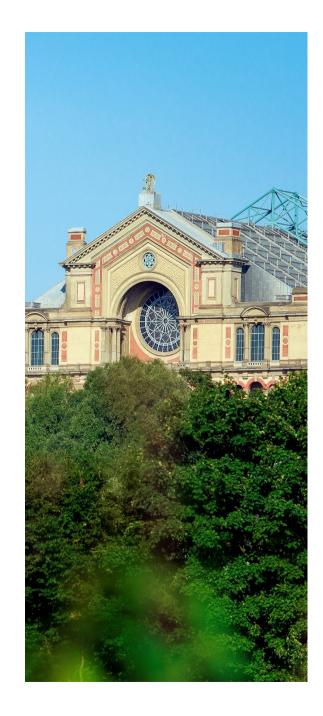






## **FINAL REPORT**







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- 03 Background
- 04 Areas for Further Improvement and Action
- 05 Audit Observations

## **Appendices**

#### **A1** Audit Information

If you wish to discuss any aspect of this report, please contact Jerry Barton, Senior Manager, Mazars LLP <a href="mailto:jerry.barton@mazars.co.uk">jerry.barton@mazars.co.uk</a> or Minesh Jani, Head of Internal Audit and Risk Management minesh.jani@haringey.gov.uk.

#### Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of the London Borough of Haringey (LB Haringey) and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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# **01 Executive Summary**

This is a summary of matters arising from the audit.

#### **Service Information**

Department and Service: Regeneration

Audit Sponsor: Dan Hawthorn Director of Housing Regeneration and

Planning

Date of Review: October 2019.

# N/A Rationale The work carried out by Internal Audit indicated that overall, we can provide Limited Assurance. Please see Appendix A1 for definitions

of our assurance levels, direction of travel and recommendation priority

Priority	Number of recommendations
1 (Fundamental)	2
2 (Significant)	4
3 (Housekeeping)	0
TOTAL	6

#### **Key Issues and Unmitigated Risks**

- 1. The system for monitoring of project costs is still in development at the time of audit. This could mean unexpected overspends occur which are not identified and managed.
- 2. Housing Delivery Programme Forecasts are produced for the Council Housing Delivery Board. However, the report does not include monitoring of cost against budget, changes to the programme, any monitoring against timescales and project risks. It was stated there is a need to develop the reporting across the programme, developing milestones & costs. This could currently lead to ineffective management of costs.

Risk Areas Reviewed				
Strategy and Objectives.				
Project Planning.				
Governance.				
Monitoring.				
Funding and Budget Management.				
Risk Management.				
Change Management.				
Management Reporting.				





## 02 Introduction

As part of the 2019/20 Internal Audit Plan, we have undertaken an internal audit of the Council House Delivery Programme.

We are grateful to the Interim Assistant Director of Housing, the Council House Delivery Team, and all other Haringey staff for their assistance provided to us during the course of the audit.

The report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

# 03 Background

It is a stated policy objective of the Council that they aim to provide at least 1,000 new Council homes at Council rents by May 2022. This commitment has been enshrined in the new Borough Plan, adopted in February 2019, which commits the Council to "work together to deliver the new homes Haringey needs, especially new affordable homes" and, explicitly, "to deliver 1,000 new council homes at council rents by 2022".

There are three key elements required for Councils to deliver new Council homes themselves - land, money and capacity.

A number of sites have been identified for inclusion in the programme. These sites are Council-owned and are located all across the borough. As well as building its own homes, the Council is looking to acquire new homes on commercial development for provision at affordable rents.

£60m of capital funding has been received from the GLA to build these homes and over half a million revenue funding to support the capacity building. At the same time, the lifting of the HRA borrowing cap has assisted the Councils financial capacity to deliver these homes.

A team of experienced housing delivery professionals is being recruited, with many already in place.

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.

As there is only the one scheme which has started on site, though works have not yet commenced and the project is a developer led with Council agreement to acquire new homes, it was not possible to confirm the arrangements for monitoring and review of such works. We were informed progress of works on site would be monitored through Site Inspections, periodic reports received from the works contractor and consultants, and contract meetings.





# 04 Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	Estimate of Final Cost and Cash Flow  Sequel is a database which will be employed by the Council Housing Delivery team, to manage the finances of projects, including budgets, costs and cash flow, once contracts have been entered into, however this process is still in development.  Risk: Where there is no effective process for the identification of estimates of final cost on each project as it progresses, there is an increased risk of unexpected over spends on completion which may require funding from reserves, undermining the financial viability of the Council. In addition, where cash flow is not monitored there is an increased risk projects may have an adverse impact on the Council's cash flow and require additional short term borrowing.	Throughout the progress of any individual project, periodic estimates of final cost should be produced and compared against original budget, along with cash flow forecasts.	1	We are aware of the gap in the financial budgeting of the programme and the Finance Team have been seeking to recruit specific financial expertise. The programme is at an early stage where most projects have only just gone through the appropriate gateway process for funding, so there has been little budgeting to report. However, going forward projects will be loaded into sequel where the finance accountant will need to import the actual spend. This is a new process which will be set up and the new finance accountant will need to be trained to use sequel.  The mitigation to the risk of unexpected overspend is that the Gateway process ensures that Council House Delivery Board approves a pre contract budget	By April 2020 Finance Lead & Lillee Craig





Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
				which is monitored monthly by Finance as part of the capital monitoring process. Additionally, total scheme costs will be approved by Council House Delivery Board and Cabinet, where there will a review of spend against the initial precontract budget. The total scheme costs will be reviewed in regular capital monitoring meetings which will be supported by the Sequel process.	
				It is recognised that it would have been ideal to have had all the necessary monitoring processes and systems that are being developed in place before any work began on schemes, but the administration was not willing to wait for that and progress had to be made in sites ahead of having in place all the desired delivery architecture that we would wish, Consequently, there is some degree of catch up necessary.	
4.2	Programme Highlight Report  Housing Delivery Programme Forecasts are produced for the Council Housing Delivery	The Housing Delivery Programme Forecasts report should be developed to include reporting on estimates of cost	1	As in 4.1 - We are aware of the gap in the financial budgeting of the programme and have been	By April 2020





Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	Board. It reports on the numbers of new homes with planning permission in the projects in the programme, and the numbers of starts on site. It does not include monitoring of cost against budget, changes, monitoring against timescales and risks. It was stated there is a need to develop the reporting across the programme, developing milestones & costs.  Where there is no comprehensive monitoring of progress there is an increased risk that key issues are not identified and escalated for action.	against budget, progress against agreed project milestones, key project risks and proposed changes to the programme.		requesting specific financial expertise which is still in the process of being developed. As previously stated, the programme is at an early stage and the programme governance process (including highlight reporting) is still being developed and refined. A programme management officer will be recruited to support the Programme Mgr. build the foundations required and working closely with the new Finance Lead, will ensure that programme governance and reporting is more robust. However, it should be noted that while budget reporting will be monitored at the Council House Delivery Board – any related strategic financial decisions should be reported into the Capital Board.	Finance Lead & Lillee Craig
4.3	Project Brief  A detailed Project Brief was not prepared for the 58 schemes originally included in the programme as this was not at the time a requirement of the Development Procedures. There was a Ward Councillors" Briefing which produced an outline of the scheme, and we were informed a detailed	A detailed Project Brief should be produced for all new sites proposed for inclusion in the programme. Such a brief should be in accordance with the requirements of the Development Procedures.	2	All new projects now have a project brief (template already sent to audit) as part of the Gateway 0 approval process. This project brief is an evolving document that will be populated as the project develops.  Additionally, a detailed project brief is developed at the tender of	Already in place Anna Blandford





Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	brief would be prepared as and when any scheme is issued to consultants to obtain tenders.  Where there is no detailed Project Brief, there is an increased risk such schemes are unclear in their content which could result in excessive and unexpected costs being incurred as the scheme is developed.			contracts stage. Furthermore, a development strategy which sets out of why, where, what and how we will deliver our new council homes is being drafted.	
4.4	Project Tracker  A Project Tracker is maintained though examination of it identifies that 22 of 69 recorded actions were due for completion before the time of audit (October 2019) and hence overdue and for each project the individual project manager was not recorded. We were informed this is a recent innovation introduced for managing the programme, and it may be that such actions require updating.  Where actions are identified but not implemented on time, there is an increased risk delivery of the programme is delayed, and hence the required outcomes are not achieved, or achieved in a timely manner.  Additionally, where actions are not recorded there is an increased risk that poor decisions are taken based on inaccurate information.	The Action Tracker should be reviewed to identify the individual Project Manager for each project.  The current status on all recorded actions should be promptly updated, and where such actions are overdue, there should be an assessment on the impact on the delivery of the project on the programme as a whole.	2	There are regular project review meetings already taking place and any arising actions are noted and actioned urgently as the accurate status of projects are crucial in feeding into a monthly report for the Leader and Lead Member.  The action tracker was a recent process and as all actions have to be completed urgently. All actions are closed on the tracker by the end of that week or the month at the latest.	Already in place Lillee Craig





Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.5	Strategic Risk Register  The Council Housing Delivery Team holds a 1000 Homes Programme Risk Register. Examination of it identified it was last updated on 3rd January 2019.  Where the risk register is not reviewed and updated on a regular basis, there is an increased risk such risks are no longer up to date and fully relevant, and hence the programme may become subject to unexpected factors causing delay.	The 1000 New Homes Programme Risk Register should be presented to each meeting of the Council Housing Delivery Board for review and update.	2	Strategic risks to the overall programme will be updated, however as strategic risks are unlikely to change on a monthly basis then it is suggested that strategic risks will be presented and reviewed quarterly unless there are changes where it will be presented and reviewed sooner. The CHDB meeting in January 2020 I taking a substantive item in risk management to refocus the way this is done.	By April 2020 Lillee Craig
4.6	Communications Plan  A Draft Communications Plan has been developed which identifies the background to the programme and how it links to Corporate Priorities. It establishes a Communications Objective and the target audience (local Haringey residents, internal Council teams, Members - Ward Councillors and Cabinet Members), and means of reaching different target audiences.  Where the Communications Plan has not been formally reviewed and approved, there is an increased risk it is not consistent with the overall aims, priorities and procedures of the programme.	The draft Communications Plan should be presented to the Council Housing Delivery Board for formal review and approval.	2	The draft communications plan was presented and formally reviewed at Council House Delivery Board in September 2019. Following this, activities are already in progress e.g. creating a dedicated webpage with information on specific sites and the Engagement Officer is developing a stakeholder engagement plan	Already in place





We would like to take this opportunity to thank management and staff for their assistance during the audit.



## 05 Audit Observations

#### **Examples of good practice identified**

- The July 2019 Cabinet Report identified the key gateway review points for Members with regard to the programme. The first being the report to approve the proposed sites in the programme, the second the seeking of planning permission for development for a site and the third when approval is sought to appoint a contractor for the main works. It also determined the two main methods for developing new Council homes; to build new homes on its own land and acquire homes built by a third party.
- Oversight of the programme is managed through the Housing Priority Delivery Board and its Council House Delivery Board. Documented Terms of Reference were developed in April 2019 for both these boards. Both of these boards are Chaired by the Director of Housing & Regeneration, and are required to meet once a month for the priority board, and once every month for the delivery board.
- A Master Spreadsheet is maintained by the Delivery Team to record all current schemes. It was identified there are presently 58 current schemes and all of these were as originally approved by Cabinet in July 2019. There were two further sites so approved, 500 White Hart Lane and the Ermine Road Ball Park, which have been deferred.

#### **Risk Management**

In conducting our review, we have focused on those risks and areas outlined in Appendix A1. We have looked at the above mitigations for example the robustness of the governance, project planning and management reporting in place and procedures and found that these controls were in place and operating. In addition, it was identified there are areas where there were no monitoring controls. Given the nature of

these issues the risk associated with these is low. In testing, we have identified some opportunities for improvement in the control environment to reduce risk exposure in this area as outlined in Section 04 above.

#### Value for money

Value for Money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

We note that the continuity of this function relies on the maintenance of a dedicated Council House Delivery project management team and building contractors to deliver the required works. This does provide an increased risk of service disruption should they leave, and we would have an adverse effect on the cost of the service against the use of in house staff We have made no formal recommendation on this issue, but we would hope the current review of structures and processes would address this issue.

The use of a Sequel database to manage the finances of projects, including budgets, costs and cash flow will provide vital information to ensure value for money is achieved. Sadly this system is still in development and we have raised a recommendation elsewhere on this issue.

#### **Sector Comparison**

As the construction of new Council houses is an area in which Councils have not engaged in any major way for many years, it has not been possible to compare the findings from this audit of Haringey with other audits recently carried out regarding other Local Authority clients.





## **A1 Audit Information**

Audit Co	ntrol Schedule	
	Alan Benson – Interim AD Housing	
Client contacts:	Lille Craig – Housing Delivery Programme Manager	
Olient contacts.	Dave Markham – Strategic Lead	
	Marc Lancaster – Housing Strategy & Commissioning Officer	
	Graeme Clarke: Director	
Internal Audit Team:	Jerry Barton: Senior Manager	
	Alan Mulvey – Assistant Manager	
Finish on site and Exit meeting:	12 <sup>th</sup> November 2019	
Last information received:	13 <sup>th</sup> November 2019	
Draft report issued:	18 December 2019	
Management responses received:	23 January 2020	
Final report issued:	27 January 2020	

#### **Scope and Objectives**

The objective of our audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

The limitations to this audit were that testing was performed on a sample basis and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.





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.
Nil 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.

Definitions of Recommendations	
Priority	Description
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses, which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Direction		
Direction	Description	
	Improved since the last audit visit.	
<b>—</b>	Deteriorated since the last audit visit.	
$\Leftrightarrow$	Unchanged since the last audit report.	
No arrow	Not previously visited by Internal Audit.	





#### **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.

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**Report for:** Corporate Committee 30 July 2020

Title: Schools Audits

Report

authorised by: Ann Graham

**Lead Officer:** Eveleen Riordan eveleen.riordan@haringey.gov.uk

020 8489 3607

Ward(s) affected: All

Report for Key/

Non Key Decision: Non Key

#### 1. Describe the issue under consideration

- 1.1 This report provides an update on audits in our school following a report earlier this year (March 2020) to Corporate Committee which set out the finance and audit training available to our schools, and set out that a sum of money would be used from the schools in financial difficulty (SiFD) pot 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. The briefing to Corporate Committee also outlined that any school that had a Nil assurance outcome for two consecutive audits would trigger a call from the Assistant Director for Schools and Learning and the Head of Audit to the Head teacher and Chair of Governors to support the school to move to a more positive outcome without delay.
- 1.2 This report summarises the outcomes from the 2019/20 audit process and sets out the expectations for the coming financial year (2020/21) in terms of auditing our schools.
- 2. Cabinet Member Introduction

NA

3. Recommendations

That Corporate Committee note the contents of this report.

4. Reasons for decision

NA

5. Alternative options considered

NA

#### 6. Background information

6.1 Haringey's internal audit undertakes a programme of schools audit reviews to ensure that schools are complying with the requirements of the Schools'



- Financial Manual and to confirm the risks associated with the key finance and non-financial processes are appropriately managed.
- 6.2 Currently all schools receive a full audit at least every four years and follow up work is completed in the financial year after the visit.
- 6.3 For 2019/20, there are four levels of assurance: Substantial, Adequate, Limited, and Nil. 2019/20 saw a total of 18 schools audited (17 primary and 1 secondary). Of the 18, there were 6 schools where assurance provided was below expectations. Of these 18, only two were had a Nil assurance outcome, both primary schools. This is a consistent performance to 2018/19 but a noted improvement on 2017/18 with limited and nil assurances having decreased over time. A nil assurance is a concern but our expectation is that when a follow up audit for these two schools is carried out in 2020/21, the schools will have put in place adequate measures to improve their rating to a satisfactory level.
- One of the schools with a Nil assurance is a primary school for age group of 211 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. The school has now
  put in place a new business manager and it is expected that when it is reaudited in 2020/21, significant improvement will have been secured.
- 6.5 The other Nil school is also a primary school with an OFSTED rating of "Good" (February 2017). The school has been through a period of turbulence that includes falling rolls and a change in leadership, including an interim head for a period of one term from September 2020. With both a new Head teacher and a new business manager, significant improvements are being secured across all areas, including financial practices and, again, this is expected to be reflected in a much more positive outcome when the school is audited in the coming financial year.
- 6.6 The period of Covid-19 and lockdown has given internal audit colleagues some time to reflect on the schools' audit approach. For 2020/21, the programme will be reviewed to ensure it is focused on highest risk areas, including any that have increased due to the response to COVID-19.
- 6.7 A new approach to follow up has been designed to be more proactive with our schools in terms of their financial practices and the audit process. The team is also looking to work more closely with other Council teams who work with schools, again to ensure efficient use of audit resources and added value from the work for stakeholders.
- 6.8 Investment in training for governors and schools as outlined in the briefing to Corporate Committee in March 2020 will continue. This will, as with last year,



include targeting those schools were their audit has resulted in a rating of Limited or Nil assurance.

6.9 Annual audit reports are taken to the Schools' Forum as well as Corporate Committee.

#### 7. Legal Comments

7.1 A school governing body's right to a delegated budget can be suspended by the local authority in accordance with section 51 of the Schools Standards and Framework Act 1998. A suspension can be imposed in cases of financial mismanagement or failure to persistently or substantially comply with any applicable arrangements or conditions detailed in the Scheme for delegated budgets.

#### 8. Equalities comments

- 8.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
  - Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
  - 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.
- 8.2 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.3 The report recommends that Corporate Committee note a summary of the outcomes from the 2019/20 audit process and the expectations for the coming financial year (2020/21). In doing so, the Committee must have in mind the need to advance equality of opportunity for children by promoting participation in education. To the extent that the audit process helps to ensure that the educational needs of children can continue to be met, it represents a measure to advance equality of opportunity.

#### 9. Use of Appendices

NA

10. Local Government (Access to Information) Act 1985

NA





**Report for:** Corporate Committee 30 July 2020

Title: Treasury Management Outturn 2019/20

Report

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

**Lead Officer:** Thomas Skeen, Assistant Director of Finance (Deputy S151

Officer)

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. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).
- 1.2. The Council's Treasury Management Strategy for 2019/20 was approved by Full Council on 25 February 2019.
- 1.3. This report updates the Committee on the Council's treasury management activities and performance in the year to 31<sup>st</sup> March 2020 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 year to 31<sup>st</sup> March 2020 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 Council'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 on 25 February 2019. The Corporate Committee is responsible for monitoring treasury management activity and this is achieved through the receipt of quarterly reports.
- 6.4. Government guidance on local Council treasury management states that local authorities should consider the following factors in the order they are stated:

Security - Liquidity - Yield

6.5. 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 included throughout the attached report.

#### Legal

- 8.2. The Assistant Director for Corporate Governance has been consulted on the content of this report which is consistent with legislation governing the financial affairs of the Council. In particular, the Council must comply with the requirements of the Local Government Act 2003, the Local Authorities (Capital Financing & Accounting – England) Regulations 2003 and the Localism Act 2011 and the CIPFA Treasury Management code.
- 8.3. 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

9.1. Appendix 1 – Treasury Outturn 2019/20

#### 10. Local Government (Access to Information) Act 1985

10.1. Not applicable.



#### Appendix 1 - Treasury Management Outturn Report 2019/20

#### <u>Introduction</u>

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

The Authority's treasury management strategy for 2019/20 was approved at a full Council meeting 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.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

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 UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29<sup>th</sup> March 2019 Brexit deadline was extended to 12<sup>th</sup> April, then to 31<sup>st</sup> October and finally to 31<sup>st</sup> January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which were in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a \$2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

Financial markets: Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touch its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

Since the start of the calendar 2020, the yield on 2-year US treasuries had fallen from 1.573% to 0.20% and from 1.877% to 0.61% for 10-year treasuries. German bund yields remain negative.

Credit review: In Q4 2019 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. 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.

After remaining flat in January and February and between a range of 30-55bps, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels. NatWest Markets Plc (non-ringfenced) remains the highest at 128bps and National Westminster Bank Plc (ringfenced) still the lowest at 56bps. The other main UK banks are between 65bps and 123bps, with the latter being the thinly traded and volatile Santander UK CDS.

While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank

which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-. Having revised their outlooks to negative, Fitch upgraded the long-term ratings on Canadian and German banks but downgraded the long-term ratings for Australian banks. HSBC Bank and HSBC UK Bank, however, had their long-term ratings increased by Fitch to AA-.

#### **Local Context**

On 31st March 2019, the Authority had net borrowing of £531.7m and £92.3m of investments. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.19	31.3.20
	Actual	Actual**
	£m	£m
General Fund CFR	383.9	449.2
HRA CFR	249.8	274.3
Total CFR	633.7	723.5
Less: *Other debt liabilities	-31.8	-28.2
Borrowing CFR - comprised of:	601.9	695.3
- External borrowing	388.8	531.7
- Internal borrowing	213.1	163.6

<sup>\*</sup> finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt \*\*subject to audit

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 March 2020 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.19	Movement	31.03.20	31.03.20
	Balance	£m	Balance	Rate
	£m		£m	%
Long-term borrowing	365.8	140.9	506.7	3.76
Short-term borrowing	23.0	2.0	25.0	0.98
Total borrowing	388.8	142.9	531.7	3.23
Long-term investments	0.0	0.0	0.0	0.00
Short-term investments	15.0	0.0	15.0	1.07
Cash and cash equivalents	15.6	61.7	77.3	0.07
Total investments	30.6	61.7	92.3	0.22
Net borrowing	358.1		439.4	

#### **Borrowing Update**

On 9<sup>th</sup> October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt, and authorities making commercial debt for yield investments using PWLB funding.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields: the value of this discount is 1% below the rate at which the authority usually borrows from the PWLB.

The consultation titled "Future Lending Terms" represents a frank, open and inclusive invitation, allowing key stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals on allowing authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances. Haringey's capital programme does not contains projects of a predominantly 'debt for yield' nature.

The consultation was originally due to close on 4<sup>th</sup> June 2020, this was later extended to 31<sup>st</sup> July, with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22. Haringey responded to the consultation individually, and officers were took part in a working group with London Councils which prepared a joint response on behalf of London Boroughs.

#### **Borrowing strategy**

At 31st March 2020 the Authority held £531.7m of loans, (an increase of £142.9m from 31st March 2019), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

<u>Table 3: Borrowing Position</u>

	31.03.19	Net Movement	31.03.20	31.03.20	31.03.20
	Balance	£m	Balance	Weighted Average	Weighted Average
	£m	•	£m	Rate	Maturity
				%	(years)
Public Works Loan Board	240.8	140.9	381.7	2.89	25.58
Banks (LOBO)	125.0	0.0	125.0	4.72	40.19
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	2.0	25.0	0.98	0.93
Total borrowing	388.8	142.9	531.7	3.23	27.86

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

As the Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement, the Authority expected to carry out additional long term borrowing in 2019/20, and raised £150m of long term fixed rate loans from the PWLB in the year, with an average duration of 23 years and at an average rate of 1.72% which will provide longer-term certainty and stability to the debt portfolio. This borrowing was taken to fund the Council's growing underlying need to borrow from the capital programme, in conjunction with considerations around interest rates.

The Authority's borrowing decisions are not predicated on any one outcome for interest rates and therefore a balanced portfolio of short- and long-term borrowing is maintained, as demonstrated in table 3 above.

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 year.

#### **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 £101.4 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	31.03.20	31.03.20	31.03.20
	Balance	Movement	Balance	Rate of Return	Weighted Average Maturity
	£m	£m	£m	%	days
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00	0.0
Money Market Funds UK Government:	0.0	0.0	0.0	0.00	0.0
- Local Authorities	15.0	0.0	15.0	1.07	339.0
- Debt Management Office	15.6	61.7	77.3	0.07	1.0
Total investments	30.6	61.7	92.3	0.23	55.9

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
31.03.2020	3.40	AA	0%	56	0.23
Similar LAs	4.16	AA-	57%	108	-0.41%
All LAs	4.03	AA-	56%	48	-0.34%

#### Scoring:

- -AAA = highest credit quality = 1
- D = lowest credit quality = 26
- -Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses and individuals. Volatility measured by the VIX index was almost as high as during the global financial crisis of 2008/9 and evidenced in plummeting equity prices and the widening of corporate bond spreads, very close to rivalling those twelve years ago. Gilt yields fell but credit spreads widened markedly reflecting the sharp deterioration in economic and credit conditions associated with a sudden stagnation in economies, so corporate bonds yields (comprised of the gilt yield plus the credit spread) rose and prices therefore fell.

#### **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 the Investment Guidance issued by Ministry of Housing, Communities and Local Government's (MHCLG) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Council lends money to third parties such as its subsidiaries, local businesses, local charities, local residents and its employees to support local public services and stimulate local economic growth. These are often treated as capital expenditure and included within the Council's capital programme. The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, it will be ensured that any

new loans made will remain proportionate to the size of the Authority. The Council also holds properties which are classified as 'investment properties' in the Council's statement of accounts. These properties are all within the local area, and the revenue stream associated with these (net of the costs of maintaining the properties) forms a modest part of the Council's annual budget, therefore contributing to the resources available to the Council to spend on local public services.

Balances as at 31.3.20 of non-treasury investments were as follows:

	31.03.20				
	Balance	Loss Allowance	Balance	Weighted Average	Net Total Revenue
	£m	£m	£m	Rate of return	£m
				%	
Subsidiaries	16.9	-0.3	16.6	0.0	0.0
Local Businesses	4.7	-0.7	4.0	5.2	0.2
Local Charities	47.9	-43.5	4.3	3.0	0.1
Local Residents	0.1	0.0	0.1	4.0	0.0
Employees	0.1	0.0	0.1	0.0	0.0
Commercial Properties*	88.6	0.0	88.6	6.2	5.5
Total borrowing	158.3	-44.6	113.7		5.9

<sup>\*</sup>for commercial properties this is the revenue generated from the properties less directly associated costs

The largest balance above relates to Alexandra Palace debts (shown under local charities). There is a large amount of historic debt that a provision was created for, however this has not been written off. The loans to local business include the opportunity investment fund, and a loan to a business who operates some of Haringey's leisure facilities.

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts for 2018/19 onwards are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

The Authority assesses the risk of loss before entering into and whilst holding service loans by weighing up the service outcomes any such loan could provide against the creditworthiness of the recipient. This is done on a case by case basis, given the low number of such arrangements. This forms part of the Council's capital programme, further details of which are in the Council's annual medium term financial strategy.

#### **Budgeted Income and Outturn**

Treasury Investments generated an average rate of return of 0.70% in the year. The Council's treasury investment income for the year was £400k against a budget of £137k.

Borrowing costs for 2019/20 were £14.8m (£10.7m HRA, £4.1m General Fund) against a budget of £15.3m (£10.6m HRA, £4.7m General Fund).

#### **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.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	31.3.20 Actual £m	2019/20 Operational Boundary £m	2019/20 Authorised Limit £m	Complied?
Borrowing	531.7	702.4m	752.4m	Yes
PFI and Finance Leases	28.2	36.3m	39.9m	Yes
Total debt	559.9	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 below this limit at all points in the financial year.

#### **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.

	31.03.20 Actual	2019/20 Target	Complied?
Portfolio average credit	3.40 (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.

	31.03.20 Actual	2019/20 Target	Complied?
Total cash available within 3 months	£77.3m	£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	31.03.20 Actual	2019/20 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	0.3m	£1m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	-0.3m	£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	31.03.20
under 12 months	0	50%	16.2%
12 months & within 2 years	0	40%	7.4%
2 years & within 5 years	0	40%	15.6%
5 years & within 10 years	0	40%	4.6%
10 yrs & within 20 yrs	0	40%	15.3%
20 yrs & within 30 yrs	0	40%	8.5%
30 yrs & within 40 yrs	0	50%	15.4%
40 yrs & within 50 yrs	0	50%	16.9%
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	31.03.20 Actual	Complied?
Upper limit on short term borrowing from other local authorities as a percentage of total borrowing	30%	5%	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

# Agenda Item 11

**Report for:** Corporate Committee 30 July 2020

Title: Statement of Accounts and External Audit Plan 2019/20

Report

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

**Lead Officer:** Thomas Skeen, Assistant Director of Finance (Deputy S151

Officer)

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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 Statement of Accounts 2019/20 and the 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, in particular in relation to the Financial Reporting Council (FRC) report at confidential appendix 2.

#### 4. Reason for Decision

4.1. None.

#### 5. Other options considered

5.1. None.

#### 6. Background information

6.1. A report on the 2019/20 audit plan was originally scheduled for a meeting of the Corporate Committee on <u>18 March 2020</u> – which was cancelled due to the Coronavirus pandemic. The Corporate Committee members have met a number of times since March 2020 and have been briefed on the audit plan, this report includes the material from the



- cancelled 18 March 2020 meeting, and contains further updates on progress on the publishing of the draft statement of accounts.
- 6.2. 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.
- 6.3. 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.
- 6.4. Members will remember that the timescales for the audit and committee sign off of accounts and moved two years ago from 30 September, to 31 July.
- 6.5. The preparation and audit of the annual statement of accounts is a statutory requirement of the Accounts and Audit (England) Regulations 2015. Usual timescales are:
  - 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.
- 6.6. In response to the pandemic, these timescales were relaxed exceptionally for the 2019/20 statement of accounts. The first 31<sup>st</sup> May deadline has been pushed back to 31<sup>st</sup> August, and the second 31<sup>st</sup> July deadline has pushed back to 30<sup>th</sup> November.
- 6.7. Haringey was delayed in publishing its draft unaudited accounts compared to previous years, these were published on 29<sup>th</sup> June on the Council's website, 2 months in advance of the new statutory deadline of 31<sup>st</sup> August. The audit of the accounts also began on 29<sup>th</sup> June. Usually, the Council and it's auditors would aim to conclude the audit of the accounts for the late July Corporate Committee meeting (this meeting), so that the committee could approve the final accounts in this meeting. This year this has obviously not been possible, but officers and BDO are aiming to work towards completion for the 17<sup>th</sup> September Corporate Committee meeting.
- 6.8. Officers understand that a small number of authorities published draft unaudited accounts by 31<sup>st</sup> May the 'usual' deadline. A survey of



- London Boroughs suggested that over half of boroughs planned to publish their accounts in the months of July or August.
- 6.9. Notwithstanding the effects of the pandemic, it is clear that the audit of the 2019/20 accounts will be another challenging year for Haringey officers and BDO, our external auditors. Haringey officers deliberately prioritised publishing the accounts as soon as was possible in order to enable to the audit to begin as early as possible in the year, and for this to begin prior to the start of audits with other authorities. However, it is clear that resourcing within the local government audit sector is again problematic, with significant staff turnover in audit teams across the sector already being experienced and impacting on the 2019/20 audit.
- 6.10. Each year the Financial Reporting Council (FRC), the regulator for auditors, chooses a random sample of local government audits which it reviews this process is called an 'Audit Quality Review' (AQR). BDO's audit of Haringey for the 2018/19 financial year was randomly selected this year, and BDO's audit of Haringey was therefore reviewed in recent months. The FRC have requested that the results of this review are tabled for the Corporate Committee's information in the exempt part of the agenda at Appendix 2.

#### 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. In particular members should note the content of the AQR Inspection Report attached at Appendix 2, the issues raised and the actions to address these issues.



#### **Equalities**

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

#### 9. Use of Appendices

Appendix 1 – Audit Plan from BDO Appendix 2 – Financial Reporting Council (FRC) Review (Exempt)

#### 10. Local Government (Access to Information) Act 1985

10.1 Appendix 2 of the report is exempt as it contains information classified as exempt under Schedule 12A of the Local Government Act 1972 (Paragraph 3) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).







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# WELCOME

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Welcome

**Executive summary** 

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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



Leigh Lloyd-Thomas
Engagement Partner

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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

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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.



# **AUDIT STRATEGY**

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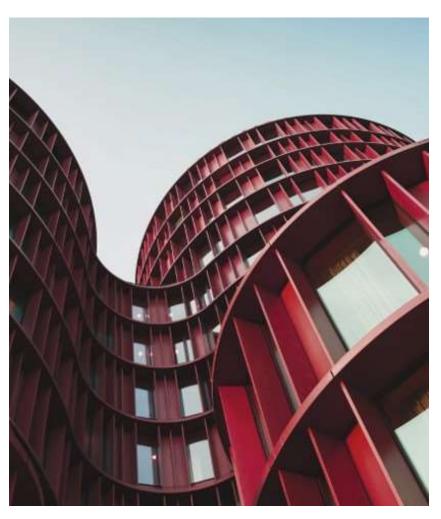
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Our audit strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher, or where there is a risk that the organisation has not 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.

# **AUDIT RISKS OVERVIEW**

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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

# INDEPENDENCE AND FEES

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#### Independence

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

#### Fees

	2019/20	2018/19
Code audit fee	<sup>(1)</sup> £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	<sup>(4)</sup> £3,500	<sup>(4)</sup> £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.
- <sup>(4)</sup> 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.

# Audit scope and objectives

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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 <sup>(2)</sup>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

# **BDO TEAM**Team responsibilities

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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.



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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.

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# **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
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.

# MANAGEMENT OVERRIDE OF CONTROLS

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

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Council

#### Risk detail

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

#### Planned audit approach

Our audit procedures will include the following:

- Review and verification of 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.

# REVENUE RECOGNITION

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Auditing standards presume that income recognition presents a fraud risk.

Significant risk

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#### 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

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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 yearend.

## VALUATION OF PPE AND INVESTMENT PROPERTY

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The valuation of land, buildings, dwellings and investment property 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

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Risk highlighted by Council

#### 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.

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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

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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.

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

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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 yearend:
- · 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.

## RECONCILIATION OF BANK ACCOUNTS

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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

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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.

## ALLOWANCE FOR NON-COLLECTION OF RECEIVABLES

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

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

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Risk highlighted by Council

#### Risk detail

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

There is a 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.

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

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Risk highlighted by Council

#### 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.

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The Council will need to deliver it 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.

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

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

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

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

- SAP ERP;
- Moasic; and
- Northgate.



## Independence

## **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**

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### 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.

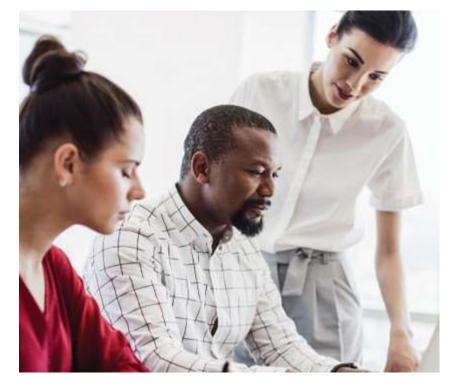
### Our responsibilities and reporting - use of resources

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.



## **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**

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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

## 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

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

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

#### **Unadjusted errors**

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

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

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

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

## **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 <u>FRC Website</u>. 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.

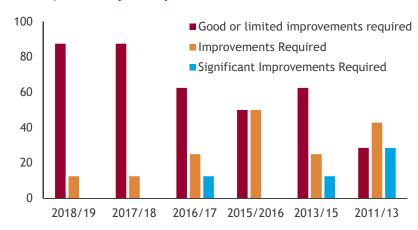
We include details of our model 'The Cycle of Continuous Improvement' on the next page. We acknowledge that the firm has performed well over the last few years however we are not complacent and need a strong process in place to maintain this high level of audit quality and deal rapidly and effectively 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:

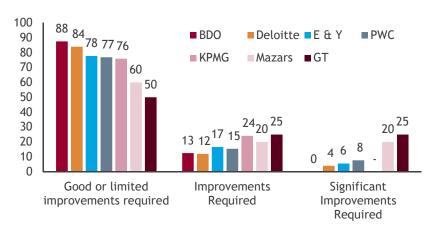
- Details of the root cause analysis we have been undertaking to address issues raised;
- The actions we have/are undertaking to address the issues raised by the AQR; and
- A number of areas of good practice the AQR review team identified whilst undertaking their review.

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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Live files require:

Review of audit quality by senior team members

#### and may require:

- Hot review of financial statements
- Technical support for audit work
- Appointment of engagement quality control reviewer

Completed files may be subject to:

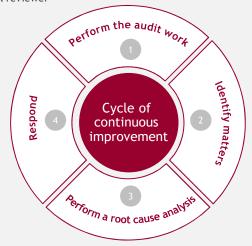
- Internal Audit Quality Assurance
  Review
  - · External review from AQR or QAD



- Behavioural matters
- · Operational changes required
- Cultural matters to be escalated

#### Responses may include:

- Updating operational practices
- Embedding matter into performance review and development process for staff
- Staff coaching
- Amending audit approach firm-wide or for specific assignments
- Targeted messaging to relevant audiences (e.g. grades, ranks or sector specialists)
- Updated guidance material Responses inform training plans



Nature of matters may be:

- Client/assignment specific issues
- Common findings/repeating issues that have need to be tracked and/or escalated
- Firm-wide matters
- "Best practice" examples

May be at Individual assignment or 'whole-firm' level:

- Identification and assessment of root cause
- Productive process to learn from matters and improve quality
- "Best practice" examples treated in the same way as "issues"
- Consideration of appropriate responses to issues identified, proposed and escalated as appropriate

#### FOR MORE INFORMATION:

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

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e: kerry.l.barnes@bdo.co.uk

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

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Report for: Corporate Committee 30 July 2020

Title: Treasury Management Strategy Review

Report

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

Lead Officer: Thomas Skeen, Assistant Director of Finance (Deputy S151

Officer)

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. The Corporate Committee recommended the draft treasury management strategy to Full Council in the <u>meeting on 3 February 2020</u>. The Council's Treasury Management Strategy for 2020/21 was approved as part of the <u>Council's annual budget papers</u> by Full Council on 24 February 2020.
- 1.2. Since March 2020 the economy has been heavily impacted by the Coronavirus pandemic, and thus the backdrop in which the Council's treasury strategy and activity takes place has changed. The Chair of the Corporate Committee has therefore requested that a review of the treasury management strategy be conducted, which is the topic of this report.

### 2. Cabinet Member Introduction

2.1. Not applicable.

### 3. Recommendations

3.1. That members note the contents of this report.

### 4. Reason for Decision

4.1. None.

## 5. Other options considered

5.1. None.

## 6. Background information

- 6.1. Economic background: (provided by the Council's treasury management Advisor, Arlingclose Ltd).
  - 6.1.1. The UK's exit from the European Union took a back seat during the first quarter of 2020/21 as the global economic impact from coronavirus took centre stage. Part of the measures taken to stop the spread of the pandemic included the government implementing a nationwide lockdown in late March which effectively shut down almost the entire UK economy. These measures continued throughout most of the quarter with only some easing of restrictions at the end of May and into June.
  - 6.1.2. Bank Rate was maintained at 0.1% despite some speculation that the Bank of England's Monetary Policy Committee (MPC) might cut further and some MPC members also suggesting that negative rates are part of the Bank's policy tools. In June the Bank increased the asset purchase scheme by £100 billion, taking the recent round of QE (quantitative easing) to £300bn and total QE to £745 billion.
  - 6.1.3. At the same time, the government also implemented a range of fiscal stimulus measures totalling over £300 billion which had been announced in March and designed to dampen the effect of the pandemic on the labour market.
  - 6.1.4. GDP growth contracted by 2.2% in Q1 (Jan-Mar) 2020 pushing the annual growth rate down to -1.6%. The lockdown only came into force on 23rd March, and the markets are braced for a dire set of growth data for Q2. In April UK GDP fell 20.4% month-on-month. On the back of the 5.8% month-on-month fall in March, this means economic output fell by 25% compared to its pre-coronavirus peak in February 2020.
  - 6.1.5. The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.2% year on year in May, further below the Bank of England's 2% target.
  - 6.1.6. In the three months to June, labour market data remained largely unchanged on the previous quarter. This is likely due to the government's furlough scheme as more than a quarter of the UK workforce was estimated to be supported by it. The ILO (International Labour Organisation) unemployment rate remained unchanged at 3.9% while the employment rate fell to 76.4%. However, employers will have to contribute towards furlough payments from August and

- the scheme is due to stop at the end of October; unemployment is expected to rise as a result.
- 6.1.7. The US economy contracted at an annualised rate of 5.0% in Q1 2020. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% while the US government announced a \$2 trillion fiscal stimulus package. Relations between the US and China, which had briefly improved when Phase 1 of the trade agreement was signed in January, deteriorated over the quarter.
- 6.1.8. With little room to move on interest rates, the European Central Bank maintained interest rates at 0% and the rate on the deposit facility (which banks may use to make overnight deposits with the Eurosystem) at -0.5% and announced a further huge, open-ended commitment to buy €600bn of bonds under its Pandemic Emergency Purchase Programme (PEPP) which can be reinvested out to 2022. This lifted the ECB's total bond buying support package to €1.35trillion.
- 6.1.9. Financial markets: After selling off sharply in March, equity markets started recovering in April and while still down on their pre-crisis levels, the Dow Jones and FTSE 100 and 250 have made up around half of the losses. Measures implemented by central banks and governments continue to maintain some degree of general investor confidence, however volatility remains.
- 6.1.10. Ultra-low interest rates and the flight to quality continued to keep gilts yields low over the period with the yield on some short-dated government bonds turning negative. The 5-year UK benchmark gilt yield dropped from 0.18% at the beginning of April 2020 to -0.06% on 30th June. The 10-year benchmark gilt yield fell from 0.31% to 0.14% over the same period, and the 20-year from 0.69% to 0.52%. 1-month, 3-month and 12-month bid rates averaged 0.04%, 0.28% and 0.44% respectively over the quarter.
- 6.1.11. Over the quarter (April–June), the yield on 2-year US treasuries fell from 0.24% to 0.20% while that on yield on 10-year treasuries fell from 0.63% to 0.61%. German bund yields remain negative.
- 6.1.12. Credit review: After rising sharply in late March, credit default swap spreads slowly eased over the quarter but remained above their pre-crisis levels.
- 6.1.13. Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and also non-UK banks from early April onwards. This included revising the outlook on all banks on the counterparty list to negative, with the exception of

Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as downgrading Close Brothers' long-term rating to A-. Network Rail Infrastructure and LCR Finance's long-term ratings were downgraded from AA to AA-. HSBC Bank and HSBC UK Bank were the exceptions however, with Fitch upgrading their long-term ratings to AA-.

- 6.1.14. Fitch affirmed the ratings of Canadian banks but revised their outlook to negative. The agency also downgraded the long- and short-term ratings of Australia's four largest banking groups. It upgraded the long-term deposit rating of both Bayerische Landesbank and Landesbank Baden-Wuerttemberg (LBBW) but downgraded the viability ratings, and revised outlooks to negative. Fitch later placed three Singapore banks on Rating Watch Negative.
- 6.1.15. S&P (Standard and Poor) also took action on a range of UK and European banks, affirming their ratings but revising their outlook downwards due to the economic consequences of COVID-19. Moody's downgraded the long-term rating of Nationwide BS from Aa3 to A1 and S&P downgraded the long- and short-term ratings of HSBC Bank PLC and HSBC UK Bank PLC to A+ and A-1 respectively
- 6.1.16. In May, Fitch and S&P downgraded TfL's long-term rating to A+ from AA- after the 95% reduction in tube and train fares which make up 47% of TfL's revenue. However, the UK government agreed to a £1.6 billion support package which will help ease some of the stress TfL faces.
- 6.1.17. As the extent of the losses that banks and building societies will suffer due to the impact from the coronavirus epidemic remains uncertain but is expected to be substantial, in early June following Arlingclose's stress testing of the institutions on the counterparty list using bail-in analysis, a number of UK banks and building societies were suspended from the counterparty list for unsecured deposits. Although much better capitalised than before the 2007-09 financial crisis, under the current economic circumstances these entities were suspended for reasons of prudence. For those remaining on the list, the duration advice remains up to 35 days.

6.3. The table below summarises the Council's borrowing position over the quarter of April-June 2020:

	31.03.20	Net Movement	30.06.20	30.06.20	30.06.20
	Balance	£m	Balance	Weighted Average	Weighted Average
	£m		£m	Rate	Maturity
		•	•	%	(years)
Public Works Loan Board	381.7	-0.3	381.4	2.89	25.37
Banks (LOBO)	125.0	0.0	125.0	4.72	39.94
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)	25.0	-5.0	20.0	0.95	0.50
Total borrowing	531.7	-5.3	526.4	3.25	27.89

- 6.4. The Council's borrowing portfolio has remained at a similar level throughout the period, with no new loans raised during the period.
- 6.5. The Council's treasury management strategy states that: 'The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With shortterm interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. However, given the size of the Council's capital programme, and the need to diversify the Council's debt portfolio, long term borrowing will also be required during 2020/21, so the strategy will be to fulfil the Council's borrowing requirement with a mixture of long and short term borrowing.'
- 6.6. In recent years the Council has therefore addressed its borrowing requirement from two sources:
  - the Public Works Loan Board (PWLB), for long term loans of up to 50 years in duration
  - other local authorities for short term loans of up to 1 year in duration (which is generally more cost effective)
- 6.7. The treasury strategy places a limit on short term borrowing as a proportion of overall borrowing, of 30%. This is done to mitigate

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. As at 30/06/20 the Council's short term borrowing was around 4% of the total borrowing portfolio, so significantly within this limit.

- 6.8. Throughout the pandemic, the intra-local authority market has functioned as usual, with authorities continuing to borrow and lend from one another. Interest rates have reduced over recent months, however at the time of writing, the differential between borrowing from the PWLB and other local authorities remains significant, and there is therefore still a compelling rationale for inclusion of this in the Council's borrowing strategy.
- 6.9. The treasury strategy contains a number of paragraphs relating to the Council's Lender's Option Borrowers Option (LOBO) loans, and the situations where the Council will repay these early. In the current reduced interest rate environment, it is not currently anticipated that a scenario will occur where it is in the Council's financial interests to repay these early.

## Review of Investment strategy

6.10. The below table summarises the Council's investment position over the quarter of April-June 2020:

	31.03.20	Net	30.06.20	30.06.20	30.06.20
	Balance	Movement	Balance	Rate of Return	Weighted Average Maturity
	£m	£m	£m	%	days
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00	0.0
Money Market Funds UK Government:	0.0	23.9	23.9	0.14	1.0
- Local Authorities	15.0	25.0	40.0	0.95	182.6
- Debt Management Office	77.3	-41.1	36.2	0.01	1.0
Total investments	92.3	7.8	100.1	0.42	73.6

- 6.11. The Council's cash balances have been higher since the start of the pandemic than would usually be the case. The Council understands via benchmarking completed by Arlingclose, the Council's treasury advisor, that this is a position mirrored throughout the local government sector. A number of measures have been introduced since March 2020 which have ultimately increased the cash balances of authorities:
  - Authorities have received various streams of government funding, which in general have been paid in advance of expenditure, and in advance of the usual date on which they would be paid to the Council.
  - Authorities have been responsible for passporting significant amounts of government assistance to local businesses, increasing cash balances temporarily until all funds are administered.
  - The government has also deferred some payments that authorities would usually make early in the financial year to a later point.
- 6.12. Throughout the period since March 2020 the Council has been monitoring cash levels carefully, and maintaining higher than usual levels of cash invested so that they are accessible each business day to meet the Council's payment needs, (these cash balances are represented by the Debt Management Office and Money Market Fund balances in the table above). The Council's cashflow forecast is for cash levels will return to 'usual' levels (sub £50m) by the end of 2020.
- 6.13. Interest rates have fallen sharply since March 2020 when the Bank Rate was cut from 0.75% to 0.10%, as can be seen by the interest rates in the table above. An overnight investment with the Debt Management Office, for example has fallen from 0.63% to 0.01%. The Council

prioritises security of funds invested, and liquidity considerations over the yield on an investment.

- 6.14. The forecast of the Council's treasury advisor, Arlingclose, does not currently anticipate that a negative interest rate scenario will materialise, however it cannot be ruled out completely as a future potential. The Council's treasury strategy has considered the impact of negative interest rates, and includes the below statement: 'Negative interest rates: If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.'
- 6.15. The treasury management strategy imposes a maximum £5m limit on any one investment Counterparty, with the exception of the Debt Management Office (part of HM treasury). This is on the basis that the Council maintains a treasury management reserve of the same amount. The treasury reserve remains at this level post the closure of the 2019/20 financial year.
- 6.16. The treasury management strategy included the below statement (par 5.4):

'The Authority will consider diversifying into more secure and/or higher yielding asset classes during 2020/21, in particular for the estimated £10m that is available for longer-term investment due to being required for the MiFID professional client status. Any such diversification would represent a change in strategy over the coming year, and would be the subject of further reports.'

As the pandemic impacted from March 2020, no work has taken place to progress this further, and it is not proposed that work should begin on this in the near future given the current volatility of market conditions. As noted in the strategy, no such diversification will take place without future decision making by the corporate committee to endorse this.

- 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 included throughout this report.

### Legal

- 8.2. The Assistant Director for Corporate Governance has been consulted on the content of this report. The report raises no legal issues and is consistent with the legislations governing the financial affairs of the Council.
- 8.3. 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

- 9.1. Not applicable
- 10. Local Government (Access to Information) Act 1985
  - 10.1. Not applicable.



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# Agenda Item 13

Report for: Corporate Committee – 30 July 2020

Title: Draft Annual Governance Statement 2019/20

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 statutory requirements to produce an Annual Governance Statement (AGS) and provide a draft statement relating to the 2019/20 financial year for review and approval and maintain the Local Code of Corporate Governance.

### 2. Cabinet Member Introduction

2.1 Not applicable.

## 3. Recommendations

- 3.1 The Corporate Committee review and approve the draft 2019/20 AGS attached at Appendix A.
- 3.2 That the Corporate Committee notes the approval timescale and processes for the draft 2019/20 AGS.
- 3.3 That the Corporate Committee notes and approves the updated Local Code of Corporate Governance attached at Appendix B.

### 4. Reasons for decision

- 4.1 The Corporate Committee is responsible for approving the Council's draft AGS as part of its Terms of Reference. In order to facilitate this, and provide information on its sources of assurance from across the Council, reports have been provided on a regular basis for the Corporate Committee, culminating in the production of the draft AGS.
- 4.2 The Corporate Committee's terms of reference include under part D (ii), maintaining an overview of the Council's Local Code of Corporate Governance.

## 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



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- Council's governance framework as a whole. Corporate governance brings together an underlying set of legislative requirements, governance principles and management processes.
- The preparation of an AGS is a statutory requirement of the Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. These regulations require local authorities to produce an annual statement, in accordance with 'proper practice'.
- 6.3 In order to comply with the statutory reporting deadlines, the AGS for 2019/20 has to be approved by 31 August 2020. The Leader and Chief Executive will sign the statement assurance that responsibilities have been adopted at a corporate level and adequate processes exist and are effective before they sign the AGS.
- 6.4 Prior to its final approval, the Council needs to demonstrate that the AGS has been reviewed and agreed by relevant senior managers across the authority and an appropriate member body. The Corporate Board has reviewed the draft AGS and a copy of this is provided at Appendix A.
- 6.5 The AGS has been produced in line with the revised guidance issued in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in their report 'Delivering Good Governance in Local Government: Framework'. The guidance applies to governance statements produced from 2016/17 onwards.
- 6.6 The revised guidance is recommended to be used as 'best practice' for developing and maintaining a locally adopted code of governance. The Council's existing and published Local Code of Corporate Governance has been revised to incorporate the updated guidance and submitted to the Corporate Committee for approval.

## 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 this report. The work within service areas which supports and provides evidence for the AGS, is contained and managed within their revenue budgets. Service departments manage risks and governance arrangements as part of the routine work to achieve their business plans and costs are contained within their revenue budgets. Covid-19 has and will continue to impact most Council services to a greater or lesser extent in a myriad of different ways some of which will be financial. This has been recognised in the AGS revised action plan to be closely monitored throughout the year.

Internal audit undertakes reviews of matters arising at the Corporate Board and in consultation with the Priority Owners identified the significant governance issues. Additionally, the Head of Audit and Risk Management provides an annual report to support the assurance processes for the AGS. This work is part of the annual internal audit plan and costs are included within Audit and Risk Management's budget.

The Chief Finance Officer confirms that the presentation of the attached draft AGS for approval by this Committee meets the Council's statutory requirement under the Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

### 8.2 Legal

The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and in noting that the AGS has been produced in accordance with current and best practice guidelines, has no comments.

### 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 – Draft Annual Governance Statement 2019/20 Appendix B – Revised Local Code of Corporate Governance



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**Local Government (Access to Information) Act 1985** Not applicable. 10.



## Draft Annual Governance Statement 2019/20

#### 1. Scope of responsibility

- 1.1 We are responsible for ensuring that our business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, with regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this, we are also responsible for putting in place proper arrangements for the governance of our affairs, facilitating the effective exercise of our functions, which includes arrangements for the management of risk.
- 1.3 We have approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. Haringey's local code of corporate governance is published on the Council's website and a copy can be obtained from the Council's Monitoring Officer. This statement explains our commitments as part of the Local Code of Corporate Governance, together with how we obtain assurance that these commitments are in place and effective; it also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015, in relation to the publication of an Annual Governance Statement.

#### 2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which we direct and control the activities of the Council. The framework also comprises the activities through which we are accountable to, engages with and leads the community. Through the framework, we monitor the achievement of our strategic objectives and consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 2.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, but it can provide a reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of our approved policies, aims and objectives. The system of controls also allows for the evaluation of the likelihood of risks being realised and the impact should they be realised, ensuring that we are able to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place for the year ended 31<sup>st</sup> March 2020 and up to the date of the approval of the annual report and accounts.
- 2.4 Like all local authorities across the country, we rapidly changed our focus in March 2020 to respond to the global COVID-19 pandemic. This involved enacting emergency planning and business continuity arrangements, protecting and supporting the most vulnerable, supporting public health measures to reduce the spread of the virus and maintaining and adapting council services to continue to serve residents and businesses in the borough. This was not just a Haringey response, we have and continue to work with partners, local and regional authorities across London and government through London emergency planning arrangements.
- 2.5 The majority of our council staff moved to working from home. A deployment and staff volunteering hub was established with approximately 1,200 staff who could be temporarily redeployed to areas of most need, along with a further 200 staff volunteers. The connected communities' helpline was set up as the 'shop front' for advice, support and information with over 6,000 people having made contact by the end of May. Alongside this, we are workings with the NHS to support the c9,100 extremely vulnerable residents identified as part of the 'shielded group'. A food hub was established to help vulnerable people access food, and it continues to deliver nearly 350 food parcels including hot meals daily. We also made changes to parks to ensure their continued safe use, supported schools to open for children of key workers, facilitated payments of business grants of over £40m to 2,500 businesses and much more.
- 2.6 As with any emergency, our Gold arrangements were enacted to be the primary focus for the council's emergency response, with regular Gold meetings. Alongside this, existing strategic boards were amended, and new meetings set up to ensure we had a coordinated response to managing demand, costs and new working practices. This included:
  - LB Haringey COVID-19 Gold meetings three times weekly in the beginning, moving to twice weekly;
  - Series of Gold workstreams including health and adult social care, community response and workforce;
  - Partners GOLD meeting originally weekly, moving to fortnightly;
  - Statutory Functions Board move to weekly meetings to ensure focus on statutory duties;
  - North Central London Adult Social Care Group Weekly meeting;
  - Director Adults Social Service virtual catch up (weekly);
  - Adult Social Care Covid-19 Response and Resilience Group; and
  - Finance meetings to develop tracking of costs and budget (bi-weekly).
- 2.7 We successfully enacted our business continuity plans in response to Covid-19 and were able to sustain most service by using technology to enable staff to work from home. Many services adapted their business model rapidly to move services online, or to provide support to residents remotely. Accordingly, the pressure for staff to return to the office is limited, and we are able to take a measured, phased approach to this. The facilities management team is working to introduce social distancing measures across the Council's operational estate, so that

when government guidelines support this, we will be able to allow more staff to work from our offices. Particular attention is being paid to services that may need to resume a face-to-face offer, to ensure this is done safely. We will produce and where appropriate publish the risk assessments to support this. In addition, we will conduct individual risk assessments to identify any Council staff with higher levels of vulnerability, so that we ensure that we protect the health and wellbeing of all our staff through what will continue to be a period of elevated concern.

2.8 The following section highlights each of the seven governance principles set out in the CIPFA / SOLACE framework "Delivering Good Governance in Local Government" and the arrangements in place demonstrating how we meet the governance principles. Any gaps identified as part of the annual review will form an action plan agreed and monitored by the Statutory Officers with all actions to be completed by March 2021.

Do	ocumentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
A	. Behaving with integrity, demonstrating strong commitment to ethical values, an	d respecting the rule of law
Be	ehaving with Integrity	
a)	The Council's Member Code of Conduct (July 2019) requires members to declare interests; applies to Members and co-opted voting members on election or appointment. Published on the internet: <a href="http://www.haringey.gov.uk/sites/haringeygovuk/files/lbh_constitution_part_5_section_a - part_1_0.pdf">http://www.haringey.gov.uk/sites/haringeygovuk/files/lbh_constitution_part_5_section_a - part_1_0.pdf</a>	
b)	The offer of Induction is provided for all new Members when they are elected on expected standards of behaviour.	
c)	The Officer Code of Conduct was reviewed in 2019 and a new version was published to staff in June 2019 following approval by Member. A copy of the Code is provided to all new officers on appointment and annual reminders are made of the need for employees to make a declaration of a conflict of interest or to declare any offers of gifts or hospitality which are received.	
d)	Haringey Values updated in 2015 (Human, Ambitious, Accountable, and	

D	ocumentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
	Professional). Published on the internal website and internet: <a href="https://www.haringey.gov.uk/jobs-and-training/working-haringey/haringey-values">https://www.haringey.gov.uk/jobs-and-training/working-haringey/haringey-values</a>	
e)	Decision-making practices for member decisions follow legal and transparency requirements. Officer decisions are also recorded and published on Modern.gov: <a href="http://www.haringey.gov.uk/local-democracy/our-standards">http://www.haringey.gov.uk/local-democracy/our-standards</a> https://www.haringey.gov.uk/local-democracy/how-decisions-are-made	
f)	Register of interests and gifts and hospitality for members/co-optees checked on election/appointment. Minutes show declarations of interest sought, and appropriate declarations made for each meeting. <a href="http://www.haringey.gov.uk/local-democracy/our-standards/register-members-interests">http://www.haringey.gov.uk/local-democracy/our-standards/register-members-interests</a>	
g)	Requirement for all new staff to complete Register of Interests declaration. Senior managers are required to complete a declaration every two years; staff should complete a new form as/when circumstances change. Gifts and hospitality for members are recorded with their declarations of interests and are published on the website, see link in f above.  For officers, declaration forms are retained in Human Resources.	
h)	Standard report format requires report authors to state how their proposal meets the corporate objectives and priorities. Report authors must also provide reasoning and evidence for proposals, so that the basis for decisions is clear and include statutory officer's advice, including legal and finance advice. Training for report authors on writing clear, logical and objective reports was provided for officers in 2016/17 and standard templates are held on the internal website.	Training needs assessment will be completed in 2020/21.
i)	Anti-fraud and corruption strategy is in place, including the Whistle blowing policy (July 2018). The Head of Audit and Risk Management reports on actions, effectiveness and outcomes (and use of the whistle blowing policy) to Corporate Committee and provides awareness presentations to Corporate Management Group. Copies of the policies are on the internet:	Review current policy during 2020/21.

## Documentation demonstrating compliance with the governance principles Identified gaps in compliance, or further action required https://www.haringev.gov.uk/local-democracy/performance-and-finance/fraud-andcorruption Corporate and service specific complaints policies are in place and published on the website. Level of complaints upheld at Stage 1 and 2 is monitored and reported regularly to the Council's Corporate Management Group using Grip Indicators. More information is being published and made easily accessible to customers. Training sessions have been developed looking at examples of best practice in responses and getting it right first time. http://www.haringev.gov.uk/contact/council-feedback/complaints-about-council k) Local Code of Corporate Governance was refreshed in 2018/19 and was approved at Corporate Committee July 2019 it will also be presented at Full Council in 2020: https://www.minutes.haringev.gov.uk/documents/s110621/App%20B%20Code%2 0of%20corporate%20Governance%20for%20legal%20VB%20MJ%2014.11.18%2 Ofinal.pdf Demonstrating strong commitment to ethical values The Standards Committee, along with the Council's Monitoring Officer, establishes monitors and maintains the organisation's ethical standards and performance, reporting to full Council as necessary. The committee deals with allegations of breaches of the Member Code and issue (or require Groups to issue) reminders/advice notes to Members where issues of conduct cause concern. http://www.haringey.gov.uk/local-democracy/our-standards/standards-committee m) The Council incorporated the Social Value Act requirements into all procurement and contracts; including a standard clause referring to 'PREVENT' in all contracts, as well as safeguarding and health and safety. Progress on updated policies to be tracked n) A major review of all the Human Resources policies & procedures began in 2019 in 2020.

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
and is ongoing. The policies for revision undergo extensive discussion with relevant groups within the council and with trade unions before the final version is presented to Members for their approval, only when approved are policies published and details communicated to officers.	
The Council encourages external providers of services to act with integrity and in compliance with high ethical standards expected by the organisation in information sharing: <a href="http://www.haringey.gov.uk/community/community-safety-and-engagement/crime-">http://www.haringey.gov.uk/community/community-safety-and-engagement/crime-</a>	
and-disorder-information-sharing-protocol In procurement: <a href="http://www.haringey.gov.uk/business/selling-council/council-contracts">http://www.haringey.gov.uk/business/selling-council/council-contracts</a>	
Respecting the rule of law	
p) The Chief Executive is appointed by full Council. Any disciplinary action or dismissal of the statutory officers is dealt with in line with legal requirements that take into account the need for them to fulfil their responsibilities in accordance with legislative and regulatory requirements. A Statutory Functions Board was convened in 2019/20, meeting quarterly the group focuses on ensuring statutory compliance and is both forward and backward looking to support the Statutory Officers in fulfilling their roles.	
q) The Council optimises the powers available for the benefit of citizens, communities and other stakeholders. Decisions are taken, in accordance with relevant statutory requirements and the Council Constitution, by full Council, Cabinet, individual Cabinet members and officers under delegated powers. The Council Constitution is reviewed updated and published on the internet: <a href="http://www.haringey.gov.uk/local-democracy/about-council/council-constitution">http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</a>	
r) Breaches of law/financial regulations can be the subject of a report to full Council by the relevant statutory officer. No statutory officer reports have been required in	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
2019/20.	
s) Statutory officers are available at meetings of the Council/Cabinet to advise and ensure law and regulations are not breached.	
B. Ensuring openness and comprehensive stakeholder engagement	
Openness/ Implementing good practice in transparency	
a) The Council Publication Scheme sets out information available to view or download including under the requirements of the Transparency Code 2015. http://www.haringey.gov.uk/local-democracy/publications/publication-scheme	
b) Member decisions are rarely taken in the private (Part 2) section of meetings. Member delegated decisions are also taken at meetings advertised and open to the public. The constitution allows for deputations and petitions and a call-in procedure for cabinet key decisions is in place. The local and statutory requirements are set out in the Council Constitution: <a href="http://www.haringey.gov.uk/local-democracy/about-council/council-constitution">http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</a>	
c) The Council carries out consultation on a regular basis with stakeholders. It has a consultation co-ordinator and a consultation charter and toolkit on its internal website. All consultations require a consultation plan, which is posted on the consultation e-plan on the internet. <a href="http://www.haringey.gov.uk/local-democracy/have-your-say-haringey">http://www.haringey.gov.uk/local-democracy/have-your-say-haringey/our-commitments-you</a> <a href="https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan-2019-2023-consultation">https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan-2019-2023-consultation</a>	
The Council publishes 'Performance Wheels' on Borough Plan priorities and outcomes on the website; feedback on our performance is encouraged through this	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
route: https://www.haringey.gov.uk/local-democracy/policies-and- strategies/building-stronger-haringey-together	
Engaging comprehensively with institutional stakeholders	
d) A partnership with the community sector was approved in December 2015 designed to forge stronger relationships with the local voluntary sector, working with the Moracle Foundation to improve the strength of the voluntary sector, enabling it to attract more funding and investment to support local communities. A voluntary and community sector pledge is included in the Borough Plan.	
e) Formal and informal partnerships allow for resources to be used more efficiently and outcomes achieved more effectively; the Borough Plan incorporates key partnership working across all its priorities, including the Local Safeguarding Children's Board (LSCB), Safeguarding Adults Board (SAB), Multi-Agency Risk Assessment Conference (MARAC) and the Community Safety Partnership (CSP). Agendas and minutes for the CSP are published on the website: <a href="http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?Cld=444&amp;Year=0">http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?Cld=444&amp;Year=0</a> Examples where the Council participates in partnership include the Joint Health & Wellbeing Partnership with Islington; delivering the STEM commission recommendations; working with our schools to improve outcomes for children.	
f) Resident engagement also occurs in formal consultation and engagement processes. More information on the Community Engagement Framework is available on our website. <a href="https://www.haringey.gov.uk/local-democracy/have-your-say-haringey/haringeys-community-engagement-framework">https://www.haringey.gov.uk/local-democracy/have-your-say-haringey/haringeys-community-engagement-framework</a>	
g) The Council also uses social and print media to engage with residents and stakeholders, including the Council website, My Account, Twitter, Facebook, Haringey People and the weekly Haringey People online. The Council also has	

Do	ocumentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
	specific partnerships and stakeholder newsletters including Team Noel Park; and Northumberland Park to engage with residents.	
C.	Defining outcomes in terms of sustainable economic, social, and environmental between the control of the contro	penefits: and
	Determining the actions necessary to optimise the achievement of the intended of	
	, ,	
	efining actions/outcomes and sustainable economic, social and environmental	
<u>be</u>	<u>enefits</u>	
a)	The Borough Plan sets out how the Council might work with partners and with communities to improve the borough and make Haringey a more successful place, while delivering around £30 million savings by 2024. The plan has five core priority areas, each under-pinned by a series of ambitious targets. It considers and balances the economic, social and environmental impact of policies, plans and decisions. The Plan includes a challenging set of performance measures. Programme planning and management require focus on outcomes and benefits identification and tracking as part of project implementation. There is a clear and consistent approach to the reporting of outcomes, benefits, risks and issues across Priority Boards. The Plan is published on the website: <a href="https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan">https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan</a>	
b)	The Council publishes updates on its website to show how the Council and partners are achieving against specific targets every three months. The outcome targets specify the intended impact on service users, residents and other stakeholders.	
c)	The Council has an agreed Medium-Term Financial Strategy (MTFS) and Workforce Plan. These set out how the Council will deliver the corporate plan taking into account the full cost of operations and within available resources, balancing service priorities, and ensure its workforce has the right skills to enable it to achieve the	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
agreed outcomes. Regular reports are provided to the Cabinet: <a href="https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?Cld=118&amp;Mld=9157&amp;Ver=4">https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?Cld=118&amp;Mld=9157&amp;Ver=4</a>	
d) Robust planning and control cycles cover strategic and operational plans, priorities and targets. An internal governance process has been implemented to provide regular monitoring and scrutiny of the achievement of the corporate plan and resources applied. For each priority, Priority Boards have been introduced. Performance against objectives is published on the website: <a href="http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance">http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</a>	
e) A five-year capital programme was approved by Full Council on 12 February 2019, which sets out the Council's longer-term investment requirements linked to policy objectives, updates are provided to Cabinet annually at the February meeting: <a href="https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?Cld=143&amp;Mld=8669&amp;Ver=4">https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?Cld=143&amp;Mld=8669&amp;Ver=4</a>	
Determining actions and optimising achievement of intended outcomes	
f) The Council includes requirements to enhance social value in contracts. For example, construction projects over £1m in value must include an apprenticeship scheme, and where possible, employers are encouraged to pay the London Living Wage. High value procurements include a significant weighting in the 'social value' section and, where applicable, requirements as to the use of community assets.	
E. Developing the entity's capacity, including the capability of its leadership and the	e individuals within it
Developing the entity's capacity	

D	ocumentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
a)	The Council's Workforce Development Strategy 2019 – 2023 aims to create a better place to work and to ensure the Council has the right people in the right places with the appropriate skills to deliver the Council's priorities. The plan is published on the website: <a href="https://www.haringey.gov.uk/search/haringey_cse/workforce%20development%20strategy">https://www.haringey.gov.uk/search/haringey_cse/workforce%20development%20strategy</a>	
b)	Workforce expectations also form a clear part of contracting and commissioning processes, as our workforce is not limited to employed staff, including complying with minimum and London Living Wage requirements.	
D	eveloping the capability of the entity's leadership and other individuals	
c)	The Council Constitution specifies the types of decisions that is delegated and those reserved for the collective decision making of the full Council or Cabinet. <a href="http://www.haringey.gov.uk/local-democracy/about-council/council-constitution">http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</a>	
d)	The Council's Constitution sets out the leader and chief executive roles to ensure the respective responsibilities are defined in accordance with decision-making accountabilities. These comply with relevant statutory requirements. It also includes the general scheme of delegation. Each service area also has a service area scheme of authorisation for officers, currently published on the intranet.	
e)	Members who sit on Committees are provided with training specific to their responsibilities for these committees. Training sessions during 2019/20 included planning, licensing, audit, finance, pensions and treasury.	
f)	The Council provides a programme of training for all members, and members have access to the Council's corporate training and development programme, which is published on the internal website.	

D	ocumentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
g)	During 2016/17 the Council rolled out 'My Conversation', a new performance management process, to all staff, which focuses on personal and organisational development and performance; the Staffing and Remuneration Committee receives regular reports on people management issues in line with the Workforce Plan objectives. Guidance and templates for all staff are published on the internal website.	
h)	The Council's Workforce Development Strategy 2019 – 2023 aims to create a better place to work. A Healthy Workforce Strategy was drafted in 2019 and will be approved by members in 2020. The Council's corporate Health, Safety and Wellbeing Board monitors all key aspects of statutory and local requirements and has an action plan in place to address any identified gaps in compliance. Health and Wellbeing Fairs have been run to promote employee health.	
i)	The Council has protocols in place which govern how the operational and working relationships between officers and members are managed and forms part of the Constitution: <a href="http://www.haringey.gov.uk/local-democracy/about-council/council-constitution">http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</a>	
j)	The Council reviews operations, performance and use of assets on a regular basis to ensure their continuing effectiveness; the Corporate Plan highlights key performance objectives, targets and outcomes, which are monitored and reported via the Council website. The performance reporting also compares current performance with statistical neighbours, London and England averages in most cases: <a href="http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance">http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</a>	

- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

#### Managing risk

- a) Haringey has a corporate Risk Management Policy and Strategy in place it was reviewed in 2019 and will be approved by Members in 2020. A project to strengthen risk management and embed the Strategy has commenced in 2020. Risk Management is embedded through a variety of processes and procedures, management teams, groups and boards across the organisation and is central to activities, including business planning and project management processes. <a href="https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?Cld=730&Mld=8242&Ver=4">https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?Cld=730&Mld=8242&Ver=4</a>
- b) The Council's key risks are managed via corporate risk and Priority Boards risk registers; each is regularly reviewed via strategic and operational board meetings. Responsibility for individual risks and issues identified is clearly set out in risk registers. Internal audit reviews of key risks are undertaken as part of the annual audit programme. Performance objectives and outcomes are reported on the website: <a href="http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance">http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</a>
- c) Haringey's business continuity planning is based on risk assessment and business impact analysis. Each service area produces a business continuity plan which is updated twice a year. Service continuity plans are incorporated into the Councilwide Business Continuity Plan. As noted previously the Council's Business Continuity Plans were implemented in response to Covid -19. One business continuity event outside of Covid-19 occurred on 26 July 2019 when the Council experienced an outage in its data centre due to severe heat. The majority of services were restored in a few hours, some took a few days, full service resumed by 01 August 2019. In 2019/20 In 2019/20, the Council participated in Exercise

Policy and Action Plan to be agreed in 2020.

Safer City 2019, a pan London test of how councils respond to a simulated threat. The Business Continuity Team led the following exercises in 2019:

- Cyber Resilience workshop for Adults Social Services Oct 2019.
- Brexit BC workshop for Care Providers May 2019; and
- Brexit Workshop for Corporate Leadership Group Sept 2019.

The Team participated in a fuel supply disruption in March 2020. More information on business continuity and emergency planning is available at:

https://www.haringey.gov.uk/environment-and-waste/major-emergencies/emergency-planning

#### Managing performance

- d) The Council monitors service delivery effectively including planning, specification, execution and independent post implementation review which is set out in the Borough Plan and outcome priorities: <a href="https://www.haringey.gov.uk/local-democracy/policies-and-strategies/building-">https://www.haringey.gov.uk/local-democracy/policies-and-strategies/building-</a>
  - https://www.haringey.gov.uk/local-democracy/policies-and-strategies/buildingstronger-haringey-together
- e) Overview and Scrutiny takes a detailed look at the Council's decisions and policies and works to promote open decision making and democratic accountability in Haringey by holding the Cabinet to account; developing and reviewing policy in an inclusive cross-party manner that involves local communities and other interested parties, reviewing the performance of the Council and scrutinising local services not provided by the Council, such as health services. Overview and Scrutiny Committee also reviews the Performance Wheels on a quarterly basis and individual Scrutiny Panels consider performance with reference to their reviews. The reports and recommendations are discussed and responded to by the Cabinet and published on the Council's website:

http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?Cld=128&Year=0

#### Strong public financial management and robust internal control

f) The Medium-Term Financial Strategy (MTFS) outlines the overall financial strategy for achieving the Council's priorities. The MTFS identifies a total of £43.9m of

As noted elsewhere in this statement Covid-19 will have significant impact on the savings required, to deliver a balanced budget position each year between 2020 and 2025. Over half of this target (£28.4m) has been subject to consultation with residents, before being approved by Full Council in February 2020; the reminder has yet to be identified and will form part of the financial planning process during 2020/21. Each Priority Board considers finance and budgets at every meeting, looking at both the budget and savings positions and tracking progress on both. Transformation and delivery of outcomes are aligned to achieving savings and remaining within budget limits; the performance outcomes are reported on the website.

Council's MTFS and significant issues, actions and timelines have been identified in tables below.

- g) The Council's financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. Managers submit monthly budget forecasts and the Cabinet receives quarterly budget management information.
- h) The Council operates a 'zero tolerance' approach to fraud and corruption. The antifraud and corruption policy includes a fraud response plan, anti-bribery and money laundering policies and a whistle-blowing policy. The anti-fraud policy is published on the Council website and regular articles on how to report fraud are published in staff newsletters and Haringey People. In 2019/20, the Council investigated and recovered 54 illegally sublet properties; and prevented 118 potentially fraudulent Right to Buy applications in line with the anti-fraud policy. Referrals made using the whistle blowing policy were all reviewed, investigated and reported to the Corporate Committee, copies of the reports are on the website:

  https://www.minutes.haringey.gov.uk/ieListMeetings.aspx?Cld=730&Year=0
- i) The Council's internal and external auditors produce annual audit reports and the Annual Audit Letter, which were both reported to the Corporate Committee. External audit reported that the council had provided a good set of financial statements and working papers for 2018/19. No significant governance issues were raised by either report; recommendations were made to address some identified control weaknesses.
- Regular internal and external audit reviews check compliance with financial and contract procedure rules across the Council and the outcomes of these are

reported to the Corporate Committee on a quarterly basis. All high priority recommendations, excluding those covering schools' audits, made by internal audit were found to be implemented when follow up audits were undertaken. The Corporate Committee fulfilled its terms of reference in relation to audit functions; and reported positive outcomes in relation to pro-active counter-fraud activities in 2017/18.

k) The Council's internal control arrangements are subject to annual self-assessment by the Head of Audit and Risk Management; any gaps in compliance with mandatory standards are included in the statutory annual Head of Audit report.

#### Managing data

I) The Council has policies dealing with various aspects of data management including security and data protection; Freedom of Information Act; information asset registers; and general records management. These and supporting guidance are all published on the intranet. Data quality policy is published on the website: <a href="https://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance">https://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance?</a> sm au =iHVH14V03WHLnWHg

Implementing good practices in reporting

m) The Council produces an annual report to accompany its statement of accounts; for 2018/19, this received an unqualified opinion from the external auditor in 2019/20, who confirmed that the accounts provided a true and fair view of the Council's financial position; and the arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. Under the Local Accountability Act, the Council is responsible for appointing its external auditors from 2019/20; approval for the preferred appointment process was obtained from Corporate Committee in November 2016 and Full Council in February 2017. The Council chose to participate in a sector led procurement exercise using Public Sector Audit Appointments (PSAA) as the Appointing Person.

<a href="https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?Cld=143&Mld=7868&Ver=4">https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?Cld=143&Mld=7868&Ver=4</a>

A Data Breach was reported to the Information Commissioners Office (ICO) in February 2020, an internal investigation has produced an action plan to mitigate risk and ensure the suggestions of the ICO are completed.

- n) The Council's Annual Governance Statement (AGS) is produced in accordance with required guidance and included in the statement of accounts; the AGS is reviewed by the Corporate Board and the Corporate Committee to ensure that any gaps in assurance or compliance issues are identified and addressed. Significant issues reported in 2018/19 are being addressed.
- As part of the Corporate Plan delivery arrangements, five Priority Boards are responsible for delivering the Corporate Plan with a responsible manager allocated as owner for each corporate priority. Outcomes and performance against all the priorities' objectives are published on the website: <a href="http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance">http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</a>

#### Assurance and effective accountability

- p) Internal and external audit provide assurance on the Council's system of internal control to support the section 151 officer requirements, including reporting compliance with financial and contract procedure rules across the Council. The outcomes of internal audits are reported to the Corporate Committee on a quarterly basis. All outstanding recommendations are reported to Corporate Committee; a focus is maintained on ensuring all high priority recommendations are implemented. None remained outstanding in 2019/20.
- q) The Head of Audit and Risk Management and the internal audit service fully complied with the requirements of the mandatory UK Public Sector Internal Audit Standards, as evidenced by peer review and self-assessment. Access to officers, members and information is provided by the Constitution.

### 4. Significant governance issues

4.1 Following our review of governance in 2018/19, we identified some key areas where work would be undertaken in 2019/20 to ensure governance arrangements were in place and effective. An action plan was drawn up and progress as at 31 March 2020 on this is set out below. Internal Audit monitored progress with regards these actions outlined below and in February 2020 produced an update report for Corporate Committee Members.

Issue	Agreed Action/ Deadline (as at May 2019)	Progress update (as at March 2020)
Delivery of MTFS Savings	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 2019/20 which assessed whether the proposals would deliver the planned savings and where the savings where improbable, the savings proposals were written off. 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.	There is regular reporting of the financial position of the council to both Senior Officers and Members. The budget for 2020/21 was approved in February. The s151 officer confirmed via the follow up work completed for Committee in February 2020 that plans were in place to address the forecasted overspend for 2019/20, that existed at that time. In light of the Covid-19 pandemic the council's MTFS will have to be reviewed and for this reason and the financial risks identified this issue has been closed but a new MTFS related issue has been included for monitoring in 2020/21.
Schools performance. audit assurance outcomes and financial balances.	During the financial year 2019/20, 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	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

Issue	Agreed Action/ Deadline (as at May 2019)	Progress update (as at March 2020)
	trend continues.	school to move forward. These
	04 D	governance mechanisms will continue
	31 December 2019	to strengthen into 2020/21. It should be noted that overall, the assurances
		in audits continue to move in the right
		direction with a reduction in the
		number of schools receiving low
		levels of assurance. This action will continue to be monitored in 2020/21
		by Corporate Committee but not
		remain as a significant governance
		issue on the statement.
		The section 19 and 19 a
		The school's audit programme will be reviewed to ensure focus on areas of
		risks identified from the annual school
		report.
Safety of two social housing	Two residential tower blocks on Broadwater Farm	Update reports were provided to the
buildings at Broadwater Farm.	(Northolt and Tangmere) did not pass structural survey	Homes for Haringey Board
	tests. In June, Cabinet considered various options for	periodically during 2019/20 and an
	the two block and on 11 Sept 2019, began consultation	update was also received by the CAB
	with the residents of the two blocks. On 13 November	subgroup in November 2019 outlining
	Cabinet agreed to demolish the two blocks and address the rehousing requirements.	progress to decant. Members of the Broadwater Farm Scrutiny panel were
	the renousing requirements.	presented a report in March 2020.
	31 March 2020	Work is on-going with the
		leaseholders, who remain, in both
		blocks to negotiate the purchase of properties.
		properties.
		This issue will remain on the AGS for
		monitoring in 2020/21.

Issue	Agreed Action/ Deadline (as at May 2019)	Progress update (as at March 2020)
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 a 'requires improvement' rating.	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 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.	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 Ofsted focussed visit which took place in December 2019, most recent visits recognise positive improvements. This issue will continue to be monitored in 2020/21.
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.	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	The peer review action plan was discussed at Corporate Board on 27 <sup>th</sup> February to review progress to implement the recommendations raised. Significant progress is noted across the eight areas for development, but many include longer term projects of work.  The action plan will continue to be

Issue	Agreed Action/ Deadline (as at May 2019)	Progress update (as at March 2020)
	also raised recommendations for improvement, these have been welcomed and action taken to implement the recommendations.	monitored by Corporate Board, but the issue will not remain a significant issue on the statement.
	31 March 2020	The outcomes of the peer review will be revisited as part of the assessment of the Councils priorities for 2020/21.

4.2 We have identified the following significant governance issues during 2019/20. It is proposed over the coming year to take steps to address the governance issues in these areas and these are set out in the action plan below. The action plan will be monitored during the year to ensure all issues are appropriately addressed.

Issue	Action	Responsibility	Due date
Covid -19 Impact on Financial Planning & MTFS refresh	In light of the emergency situation, local authorities are relying on the statement from Robert Jenrick (Secretary of State for Housing, Communities and Local Government) of 16 March 2020 which said "the government stands ready to do whatever is necessary to support councils in their response to coronavirus" for approval to incur the essential expenditures required to fulfil their role.	Cabinet & Corporate Board – led by Dir of Finance	March 2021
	Notwithstanding this, Covid-19 must be expected to have a significant net financial impact on the Council in the short, medium and long term and the Council must recognise and start to address this.		
	The financial planning timetable is being refreshed in the light of this and the assumptions in the currently agreed MTFS are being reviewed and challenged. The current Borough Plan outcomes are also being revisited to assess the impact of C-19 and if any amendments need to be made. The outcome of these reviews will drive the revised parameters for developing a balanced 2021/22, supported by budget and new 2021-2026 MTFS.		
Clienting of Homes for Haringey	The Council has an Arm's Length Management Organisation, Homes for Haringey (HfH) to manage around 15,353 tenanted and 4,943 leasehold properties. A governance review is being undertaken to make sure the Council has the right processes and governance in place to fully and properly discharge its landlord responsibilities, including the Regulator of Social Housing's Home Standard, and with particular concern over the safety of the Council's tenants and leaseholders in their home. The review	Director of Housing, Regeneration & Planning	March 2021

Issue	Action	Responsibility	Due date
	will consider whether the Council and HfH have appropriate resources in place, with the right level and type of capacity. Alongside the right governance arrangements and procedures to ensure effective oversight and delivery.		
During 2019/20 there have been issues raised with regards the robustness of decision making relating to acquisitions and disposals of property, this has required investigation to provide assurance that effective governance is in place and to ensure that decisions have been made and recorded in line with the constitution.	During 2019/20 as a result of learning from investigations, the structure of reporting and membership of officer boards such as Capital Delivery and Corporate Property Board have been considered and changes implemented to mitigate risk and generally strengthen governance.  A Property Governance Review will be completed in 2020 to ensure that new arrangements are sound and fully embedded.	Director of Customers, Transformation and Resources	September 2020
In February 2020 the Council made a report to the Information Commissioners Office (ICO) with regards a data breach. A report was also made direct to the ICO by a third party.	An internal project to mitigate the risks associated with this data breach and impact on affected parties. Reports were made to the ICO and a response was received, with some suggested actions. An internal investigation was completed, picking up the ICOs suggestions and also raised a number of recommendations for control improvements. These recommendations will be tracked to completion.  This is a high inherent risk area for the council, the arrangements in place are reviewed periodically as part of the risk management framework and the Council has an appointed Senior Information Risk Owner (SIRO). The events of 2019/20 have been considered as part of our risk analysis work and resulting	Director of Customers, Transformation and Resources	September 2020

Issue	Action	Responsibility	Due date
	decision making.		
Safety of two social housing buildings at Broadwater Farm.	As at 19/05/20 eight leaseholders still own homes in Tangmere (with a further 108 properties vacant). 13 leaseholders own homes in Northolt and 15 tenants are yet to move (with a further 74 homes vacant). Rehousing work will continue to ensure that vacant possession is achieved, and blocks can be demolished. Proposals to accelerate the acquisition of leasehold flats are due to be considered by Cabinet soon and officers will further recommend CPO proceedings by the Autumn if negotiations are not positive.  Risks in each block are being mitigated by the provision of 24-hour security, the decommissioning of empty flats and the securing of front doors to prevent unauthorised access. Updates on the progress of the rehousing work will continue to be reported to members and senior officers through agreed Governance arrangements.	Director of Housing, Regeneration & Planning	March 2021
In October 2018, Ofsted carried out an inspection of Children's Social Care Services and published its final report on 14 December 2018. More recent inspections have recognised a positive direction of travel.	Improvement Board and at regular one-to-one meetings with the Cabinet member for Children, Families and Education and the Director of Children's Services. Ofsted are expected to visit again in 2020, we 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 all receive an annual update on the progress of the action plan.	Director of Children's Services	March 2021

Issue	Action	Responsibility	Due date
Schools performance, audit assurance outcomes and financial balances. In 2018/19 and 2019/20, there has been an improvement in the assurances assigned by internal audit as part of the schools' audit programme. The improvement is recognised, however there were still 6 schools from the 18 audited in 2019/20 where assurance provided was below expectations.	Covid-19 has given us some time to reflect on the schools audit approach. For 2020/21 the programme will be reviewed to ensure it is focused on highest risk areas, including any that have increased due to the response to COVID-19.  A new approach to follow up has been designed to be more proactive. The team is also looking to work more closely with other council teams who work with schools, again to ensure efficient use of audit resources and added value from the work for stakeholders.  Investment in training for governors and schools will continue.  Annual reports are taken to the schools forum and Corporate Committee.	Director of Children's Services	March 2021
Covid-19 – Safe Service Provision and Financial Control	There is a risk that expenditure is incurred outside the agreed budgetary framework and without the required governance approvals and that decisions are made inconsistently around treatment of debt recovery. The Leaders signing report of 6 April 2020 provided a first new financial decision-making framework for the Council's response to the Covid-19 crisis. This will get updated as we move through the year, to respond to further developments, service and financial pressures and when there is greater certainty about the funding from Government.  There is an enhanced risk of fraud in this situation. Decisions are being made under pressure, there is urgency in acquiring resources and responding to vulnerable people. To mitigate this, current processes have been reviewed and amended / enhanced as required; new processes written and communicated to cover any new ways of operating. Initial focus on high risk areas such as cash handling, purchase cards, emergency payments and	Director of Finance  Corporate Board – all Budget Holders	March 2021

Issue	Action	Responsibility	Due date
	paying out grants to businesses. Compliance checks enhanced and agreed audit plan re-visited to re-prioritise where necessary.  Covid-19 necessitated adapting working arrangement and condition to protect our staff and partners, our residents and people who use Council services. Our initial response was to set up practices to facilitate safe delivery of our services, with haste and with minimal impact on people who rely upon us. We are now considering the future of our governance arrangements in our services to build on good practices established during Covid-19 and consider the longer-term impact of the virus.	Directors of Children's and Adults Services	September 2020

#### 5. Review of effectiveness

- 5.1 We take responsibility for conducting an annual review of the effectiveness of our governance framework, including the system of internal control. The review of effectiveness is informed by the statements of assurance and annual governance self-assessments by each director and assistant director, who have responsibility for the development and maintenance of the governance environment; the Head of Audit and Risk Management's annual report, and also by comments made by the Council's external auditors and other review agencies and inspectorates.
- 5.2 The Director of Finance holds the Council's statutory section 151 Officer role; the Assistant Director of Corporate Governance (the Council's Monitoring Officer) and the Head of Audit and Risk Management have also reviewed the work done by the Council relating to governance issues in 2019/20. Their comments on the key governance issues are as follows:
  - <u>Director of Finance:</u> The action we took in setting the 2019/20 Budget was appropriate. While there was still a forecast in year overspend at Qtr3 (Dec 2019), the future impact of the main underlying pressures has been addressed as part of the 2020/21. We have also taken advantage of making Live budgeting decisions in year such as the approval of a suite of invest to save proposals in Children's services which are now well underway and will contribute to better outcomes for our young people and their families. The 2019/20 draft outturn will maintain the unearmarked General Fund reserve at the agreed level and earmarked reserves will be protected at the expected level. This is more crucial than ever as we face an uncertain year ahead grappling with the immediate and longer-term impact of the Covid-19 epidemic. This has become the most serious financial risk facing the authority and will require strong governance and a forensic review of the current MTFS and how it will need to flex in line with a reshaped Borough Plan and revised resource base.
  - <u>Assistant Director of Corporate Governance</u>: No significant governance issues were identified during the year in relation to the Monitoring Officer functions.
  - <u>Head of Audit and Risk Management</u>: The work of the internal audit team provided satisfactory levels of assurances in the majority of council business although it also identified weaknesses in some areas. The proportion of schools receiving a satisfactory level of assurance has improved for 2019/20, though the performance will continue to be monitored in future years. The audit of the processes for delivery of capital schemes highlighted inconsistencies in approach and clarity over responsibility and accountability and management are taking steps to implement audit recommendations. An area of concern is around Information Governance. Following a data breach in Feb 2020, a number of weaknesses were identified following an audit review. The Council's Security Information Risk Officer was engaged in taking steps to improve governance in this area. Weaknesses were also noted within Property Services, Special Education Needs Transport Services and the Delivery of Council Housing. In all cases, management have accepted audit recommendations to improve the internal control environment in these areas.

- 5.3 The Head of Audit and Risk Management has also provided an Annual Audit Report and opinion for 2019/20. The report concluded that in most areas across the Council, with the exception of those areas receiving 'limited' or 'Nil' assurance, there are sound internal financial control systems and corporate governance arrangements in place, and that risk management arrangements are satisfactory.
- 5.4 Priority Owners have discussed a statement of assurance covering 2019/20 which is informed by work carried out by Directors; Assistant Directors; heads of service and managers; internal audit; any external assessments; and risk management processes. The statements are used to provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately. No significant governance issues, apart from those identified at paragraph 4.2 were recorded.
- 5.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) statements on the role of the Chief Financial Officer (CFO) and the role of the Head of Internal Audit (HoA) in public service organisations have both been incorporated into the Council's overall governance arrangements. During 2019/20, the Council can confirm that both the CFO and HoA fulfilled all the requirements set out within the CIPFA statements, and assurance on this was obtained via internal and external audit reviews. No gaps in compliance were identified for either role.
- 5.6 The Leader of the Council and the Chief Executive have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Committee, and a plan to implement enhancements and ensure continuous improvement of the system is in place.
- 5.7 The evidence provided concerning the production of the Annual Governance Statement has been considered by the Chief Executive and the other members of the Corporate Board; and will be considered by the Council's Corporate Committee in July 2020. The Statutory Officers concluded that the Council has satisfactory governance systems in place and satisfactory plans to address the identified issues to ensure improvement; these arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The Chief Executive along with the other members of the Corporate Board are committed to implementing the action plan, strengthening and improving controls and keeping the effectiveness of the Council's corporate governance arrangements under review during the year.

Signed by:

Councillor Joseph Ejiofor Zina Etheridge Leader of the Council Chief Executive

Date: Date:



# **London Borough of Haringey Code of Corporate Governance**

#### Introduction

Governance is about how organisations ensure they are doing the right things, in the right way, for the right people, in a timely, inclusive, transparent, honest and accountable manner. It comprises the systems and processes, cultures and values, by which the organisation is directed and controlled and through which they account to, engage with and, where appropriate, provide leadership to their communities.

In 2016, CIPFA in association with the Society of Local Authority Chief Executives (SOLACE) took the International Framework's core principles (and sub-principles) and interpreted them for a local government context. It revised and reissued its 'Delivering Good Governance in Local Government: Framework' (the Framework). The Framework sets the standard for local authority governance in the UK. The concept underpinning the Framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own approach, with the overall aim of ensuring:

- Resources are directed in accordance with agreed policy and according to priorities;
- > There is sound and inclusive decision making; and
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.



Specifically, the Framework identifies seven governance principles each supported by sub-principles that should underpin the governance framework of a local authority:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;
- > Ensuring openness and comprehensive stakeholder engagement;
- > Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- > Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

We are committed to applying these principles. The arrangements set out in the framework within this code demonstrate how we continually seek to ensure we remain well governed and recognise that to deliver good governance we must seek to achieve our objectives whilst acting in the public interest at all times.

The key policies and processes that underpin our compliance with these principles are set below.

June 2020



Principle A - Behavin	Principle A - Behaving with Integrity, demonstrating strong commitment to ethical values and respecting rules of law		
Supporting Principles	To achieve this, we will:		
Behaving with integrity	<ul> <li>Maintain formal codes of conduct defining standards of behaviour expected for Members and Officers</li> <li>Ensure induction is provided for all new Members when they are elected on expected standards of behaviour</li> </ul>		
Demonstrating strong commitment	<ul> <li>Publish an Annual Governance Statement which reviews the effectiveness of the Council's governance framework</li> </ul>		
to ethical values	Maintain shared values (Human, Ambitious, Accountable and Professional) which underpin an ethos of good governance		
<ul> <li>Respecting the rule</li> </ul>	Require all Members to complete and maintain a register of interests declaration		
of law	Require all new staff to complete register of interests declaration, and require all staff to maintain a register and/or declare interests as appropriate		
	<ul> <li>Maintain a register of interests and seek declarations to be made at the start of all Council meetings, ensure gifts and hospitality for members recorded with their declarations of interests and published</li> <li>Publicise gifts and hospitality guidelines</li> </ul>		
	<ul> <li>Maintain a framework which addresses the risks of fraud and corruption including an Anti-Fraud &amp; Corruption Strategy and a whistleblowing policy</li> </ul>		
	Maintain effective systems to protect the rights of staff, including whistleblowing policy which is accessible and regularly communicated		
	<ul> <li>Maintain arrangements to investigate complaints against Members and Officers including alleged misconduct</li> </ul>		
	Maintain an effective Standards Committee along with the Council's Monitoring Officer role to monitor and maintain the Council's ethical standards and performance, reporting to full Council as necessary		
	Complete Equality Impact Assessments to help officers meet the statutory equality requirements and to embed economic, social and environmental sustainability		



	<ul> <li>Encourage external providers of services to act with integrity and in compliance with high ethical standards</li> </ul>
Principle B - Ensuring	openness and comprehensive stakeholder engagement
Supporting Principles	To achieve this, we will:
Openness     Engaging comprehensively with Institutional stakeholders     Engaging stakeholders effectively, including citizens and service users	<ul> <li>Ensure Council meetings are accessible by Webcasting</li> <li>Publish Agendas, minutes, report packs and meetings calendars for Council meetings dating back to 2002, together with a formal notice of each meeting displayed at Council offices</li> <li>Seek the views of its stakeholders and respond appropriately</li> <li>Provide a variety of opportunities for the public to engage effectively with the Council including rights to information, petition, participation and how to complain or comment</li> <li>Maintain partnerships with the community sector and forge stronger relationships with the local voluntary sector</li> <li>Use the publication scheme to set out information available to view or download including under the requirements of the Transparency Code 2015</li> <li>Use social and print media to engage with residents and stakeholders, including the Council website, My Account, Twitter, Facebook, Haringey People and the weekly e-bulletin Haringey People Extra</li> <li>Ensure compliance with requirements under the Transparency Code 2015 which are published on the Council's website and intranet</li> <li>Publish annual statement of accounts and auditors report to inform stakeholders and service users of the previous year's achievements and outcomes</li> <li>Encourage and assist citizens to inspect the statement of accounts in accordance with regulations</li> <li>Consult with stakeholders in the planning process</li> </ul>



Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits		
Supporting Principles	To achieve this, we will:	
Defining Outcomes	➤ The Council's Borough Plan makes a clear statement of the Council's purpose and vision, which forms the basis for all corporate & service planning	
Sustainable economic, social and environmental benefits	<ul> <li>Publish on the Council's website the various reports to communicate the Council's activities and achievements including its financial position and performance</li> <li>Prioritise resources to deal with competing demands and consider the impact of decisions in the Medium Term Financial Strategy</li> </ul>	
	Maintain a capital programme setting out the Council's longer term investment requirements linked to policy objectives	
	<ul> <li>Enhance social value contracts in procurement where possible</li> <li>Identify and manage risks to the achievement of outcomes</li> </ul>	



Principle D - Determining	Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes		
Supporting Principles	To achieve this, we will:		
Determining     Interventions	➤ The Council's Borough Plan makes a clear statement of the Council's purpose and aims, which forms the basis for corporate and service planning		
Planning Interventions	Regularly report on key performance Indicators (KPIs) which have been established for each directorate		
Optimising	➤ Ensure budgets are prepared in accordance with organisational objectives and regularly reported upon		
achievement of intended outcomes	<ul> <li>Provide senior managers and members with timely financial and performance information</li> <li>Ensure there is a sound risk management framework to support the achievement of the Council's intended outcomes</li> </ul>		
	<ul> <li>Develop and maintain a programme and project function to deliver identified savings</li> <li>Reviews operations, performance and use of assets on a regular basis to ensure their continuing</li> </ul>		
	effectiveness  Have robust contingency arrangements in place for business continuity and disaster recovery		



Principle E – Developing the Council's capacity, including the capacity of its leadership and the individuals within it	
Supporting Principles	To achieve this, we will:
Developing the	➤ Regularly review the scheme of delegation and Constitution
Council's capacity	Maintain officer and member induction programmes
	Develop the capabilities of members through member training, particularly members on
<ul> <li>Developing the</li> </ul>	regulatory committees
capability of the Council's leadership	Set out roles and responsibilities of the Council's Cabinet, Full Council, other committees and individual members through the Constitution
and other individuals	<ul> <li>Set out a protocol for working relationship by maintaining an officer/member protocol</li> <li>Maintain an effective workforce plan to enhance the strategic allocation of resources</li> </ul>
	<ul> <li>Assess the skills required by officers through the appraisal process (My Conversation) to open a constructive and continual conversation around the values staff bring, where they want to be and how the organisation support them to get there.</li> </ul>
	<ul> <li>Ensure arrangements are in place to maintain the health and wellbeing of the workforce</li> <li>Work effectively with partner organisations</li> </ul>



Principle F - Managing r	isks and performance through robust internal control and strong public financial management
Supporting Principles	To achieve this, we will:
Managing Risk	Maintain an effective Corporate Committee independent of Cabinet and Scrutiny functions (where possible)
Managing	Maintain an effective Scrutiny function
Performance	Maintain a corporate Risk Management Policy and Strategy
	Ensure robust and integrated risk management arrangements for managing risks
Robust Internal Control	
	➤ Maintain a risk based programme of internal audits which are informed by the Council's risk
Managing data	registers.
	Manage performance by adherence to the Performance Management Framework through the
<ul> <li>Strong public financial management</li> </ul>	monitoring of service delivery including planning; specification; execution and independent post implementation review
	Maintain a regular programme of member training
	Manage officer performance through the appraisal process (My Conversation)
	<ul> <li>Maintain sound financial procedure rules to ensure consistency and clear financial protocols</li> <li>Maintain a transparent complaints and feedback procedure</li> </ul>
	Ensure effective anti-fraud and corruption arrangements
	Ensure external auditors produce annual audit reports and the annual audit letter and report to the Corporate Committee
	Ensure effective information governance arrangements are in place to support compliance with existing and emerging legislation for data protection
	Ensuring financial management supports decision making and provides sufficient information to support the delivery of the Council's objectives
	Maintain policies dealing with various aspects of data management including security and data protection, Freedom of Information Act, information asset registers, and general records management



Principle G - Implement	Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability					
Supporting Principles	To achieve this, we will;					
<ul> <li>Implementing good practice in transparency</li> </ul>	<ul> <li>Maintain compliance with the local government Transparency Code 2015 and publish all required information in a timely manner</li> <li>Maintain effective and accessible arrangements for dealing with complaints</li> </ul>					
Implementing good practices in reporting	<ul> <li>Maintain an effective scrutiny function which encourages constructive challenge</li> <li>Maintain an effective Corporate Committee independent of the Cabinet and Scrutiny Committees (where possible)</li> <li>Publish all Committee reports unless there is a statutory reason not to do so</li> </ul>					
Assurance and effective accountability	<ul> <li>Maintain and regularly communicate whistleblowing policies</li> <li>Ensure performance information is prepared on a consistent and timely basis</li> <li>Maintain an effective Internal Audit function which conforms to the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Statement on the Role of the Head of Internal Audit</li> <li>Carry out Peer Reviews and inspection from regulatory bodies and implement recommendations Including those from external and internal audit</li> <li>Produce regular finance and budget monitoring reports for members reporting on performance, value for money and stewardship of resources</li> <li>Produce regular budget manager reports</li> </ul>					

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Report for: Corporate Committee – 30 July 2020

Title: Annual Schools Audit Report – 2019/20

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 advises the Corporate Committee of the outcomes of the 2019/20 schools audit programme and of the follow up of 2018/19 audits carried out in 2019/20 by Mazars.
- 2. Cabinet member introduction
- 2.1 Not applicable.
- 3. Recommendations
- 3.1 The Corporate Committee is recommended to note the report.
- 4. Reasons for decision
- 4.1 The Corporate Committee is responsible for monitoring the adequacy and effectiveness of internal controls. The Committee receives regular reports highlighting findings from audits, this report provides an overview of findings arising from the audit of schools in 2019/20 by Mazars and sets out thematic issues that may impact on the governance at schools.
- 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 service.



# 7. Contribution to strategic outcomes

- 7.1 The work of the internal audit team provides independent assurance over the effectiveness of the control environment at schools. The primary responsibility for governance of schools rests with the Governing Body with oversight from the local authority over maintained schools. The work of the internal audit team is an important element of how the local authority can demonstrate it has discharged its statutory responsibility.
- 8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

### 8.1 Finance and Procurement

The findings contained in this report confirm that 67% of schools audited in 2019/20 returned an adequate or a substantial rating. This is a consistent performance to the prior year, however, two schools received a nil assurance and the Priority 1 recommendations identified across all schools continue to be focused on governance, income and budget management and procurement. Serious weaknesses identified in key financial processes indicate that basic financial controls were weak or non-existent in some schools, which puts the school at a greater risk of fraud and poor long-term financial stability. This must continue to give rise to concern.

It is noted that the approach to following up recommendations is being amended for 2020/21 to a more proactive on-going approach which should provide more relevant and timely assurance to key stakeholders and help to ensure action is taken in a more timely fashion. This must be a positive change as will continuing to report to the wider Schools Forum on audit outcomes and offering training.

# 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.



- 9. Use of Appendices None
- 10. Local Government (Access to Information) Act 1985 Not applicable.

# 11. Background

- 11.1 Internal Audit undertakes a programme of school audit reviews to ensure that schools are complying with the requirements of the Schools' Finance Manual, and to confirm the risks associated with the key financial and non-financial processes are appropriately managed.
- 11.2 Internal audit is not required to audit the School Financial Value Standard (SFVS), but the audit programme does check that the SFVS has been completed and whether it aligns with the audit findings. The programme of routine audit work should assist schools in providing assurance to Governing Bodies for the SFVS.
- 11.3 The maintained schools in the Borough are audited on a four-year rolling programme. The outcomes of audits and the assurances provided have improved in recent years, however 'Schools Finance and Governance' remains an issue on the Council's Annual Governance Statement.

### 12. Feedback on Audit Work

- 12.1 This report:
  - Summarises the overall outcomes and assurance levels provided to individual schools from 2017/18 to 2019/20;
  - Provides information on the results of the formal follow up programme;
  - Provides a summary of assurance and recommendations made; and
  - Highlights some of the common issues where recommendations were made.
- 12.2 Table 1 below summarises the overall outcomes and assurance ratings for the previous financial years of all internal audits completed.
- 12.3 Prior to 2019/20 the four levels assurance: Full, Substantial, Limited and Nil. The 'Full Assurance' assurance was rarely applied. As a result, in 2019/20 a new criteria for assurance was implemented to provide more distinction in the outcomes of audit work. The assurance is provided based on the number and priority of recommendations raised.



Table 1 – Summary of assurance ratings provided 2016/17 to 2019/20

	Number of audits planned	Substantia I Assurance rating	Adequate Assuranc e rating	Limited Assuranc e rating	Nil Assuranc e rating
2017/18		rating			
Primary Schools (incl.	19	10	N/A	7	2
nursery/special) Secondary Schools	1	1	N/A	0	0
Sub-total	20	11	0	7	2
2018/19					
Primary Schools (incl. nursery/special)	11	7	N/A	4	0
Secondary Schools	1	1	N/A	0	0
Sub-total	12	8	0	4	0
2019/20					
Primary Schools (incl. nursery/special)	17	1	10	4	2
Secondary Schools	2	1	0	0	0
Sub-total	19*	2	10	4	2
Total	74	29	10	28	4

<sup>\*</sup>one audit was deferred to 2020/21 as fieldwork was not completed before COVID-19.

- 12.4 The table above shows 67% of schools audited in 2019/20 returned above 'adequate' assurance ratings. This is consistent performance to 2018/19 but a noted improvement on 2017/18.
- 12.5 The percentage of schools receiving limited and nil assurance is following a downward trend, two schools received 'Nil Assurance' in 2019/20, although this is obviously a concern. Our expectation is that when a follow up audit is carried out in 20/21, the schools will have put in place adequate measures to improve their rating to a satisfactory level.
- 12.6 For the 2019/20 school audits, a total of 190 recommendations were raised. Table 2 below summarises the recommendations made and groups them into the areas, which are contained within the individual audit reports issued to schools.



Table 2 - Overall assessment of control and recommendations raised

Area of Scope	Recomn	Recommendations Raised				
	Priority 1	Priority 2	Priority 3			
Management organisation	0	26	25			
School improvement plan & OFSTED inspections	0	7	2			
Budget setting, monitoring & control	1	15	3			
Staffing	0	5	5			
Expenditure & accounting records	4	24	6			
Asset Management & Inventory Records	0	16	24			
School unofficial fund	0	2	3			
Income & Lettings	0	4	6			
School meals	0	2	2			
Data Protection	0	2	3			
Total	6	105	79			

- 12.7 The table shows six issues were felt to be fundamental weakness with the bulk of issues being significant (105 recommendations) and many minor issues being identified (79 recommendations) which relate to good practice or housekeeping actions.
- 12.8 Key areas of weakness include governance (mainly issues about proper constitution and recording of Governor decisions), income and budget management and procurement.
- 12.9 As noted above the proportion of schools receiving 'limited' and 'nil' assurance has decreased over time, which is reflected in the fewer numbers of recommendations raised. The number of Priority 1 recommendations those which we identify as fundamental control weaknesses, have also decreased. A summary of the outcomes and the details of Priority 1, 2 and 3 recommendations raised is shown in Appendix A.
- 12.10 Serious weaknesses identified in key financial processes and areas indicate that basic financial controls were weak or non-existent in some schools, which puts the school at a greater risk of fraud and poor long-term financial stability.



# 12.11 Key findings in 2019/20 included the following:

- No or insufficient numbers of written quotations or tenders obtained or retained for high value expenditure;
- high value expenditure not approved by Governing Body;
- purchase orders not raised for high value/routine expenditure;
- no valid invoice or receipts to support payments;
- bank mandate out of date;
- bank reconciliations not completed;
- debt recovery processes not taking place;
- budget monitoring not undertaken; and
- VAT returns not submitted regularly.

# 13. Follow up programme for 2018/19 audits

- 13.1 Internal Audit completed formal follow up audits of all school audits, which were undertaken in 2018/19. No school received "Nil assurance" consequently, no schools required a revisit to undertake a full audit. Appendix B sets out the overall results of the follow up work completed. The follow up visits were all arranged in advance with the individual schools and took account of the deadlines confirmed by schools for the implementation of recommendations.
- 13.2 It is noted that of the 135 original recommendations, 87 (67%) had been fully implemented at the time of the follow up visits. This is a significant improvement on what we reported last year (55%). This does, however, include 30 significant issues which were raised as priority 2 recommendations which have not been fully addressed. Some additional follow up work is planned in quarter two to revisit schools where priority 1 and 2 recommendations remained outstanding at the time of follow up to ensure they are now implemented.
- 13.3 For 2020/21 we are reviewing our approach to follow up. The plan is to move from a point in time update to a more proactive on-going monitoring approach that tracks recommendations to closure. This will provide more relevant and timely assurances to key stakeholders.



# 14. Training for Schools and Governors

- 14.1 In addition to circulating the school audit test programme, workshop sessions have been provided for school staff (finance staff, bursars, and head teachers) over the last four financial years to further assist schools in identifying key risk areas and control processes.
- 14.2 A workshop session was again offered to all schools with audits planned during 2020/21 as well as where key staff have changed in the last twelve months; the session was held on 17<sup>th</sup> March 2020 and some schools due to be audited in 2020/21 attended the session. In addition, four further training sessions were provided to bursars and school business managers, head teachers, governors, and other members of staff.
- 14.3 Training sessions on audit and risk management, covering governor roles and responsibilities in relation to audit and risk management, as well as providing advice and guidance on key risk/control areas were provided as part of the annual governor training package. These training sessions are offered every academic year.
- 14.4 The 2019/20 outcomes were reported to the Schools Forum on 25 June 2020 and key messages from the Head of Audit and Risk were shared with members of the forum. This report included an analysis of audit recommendations which will be shared with all schools.



Appendix A

# Outcomes and recommendations raised for 2019/20 school audits

	Recommendations Raised					
School	Туре	Assurance	Priority	Priority	Priority	Total
			1	2	3	
Blanche Nevile	Special	Adequate	0	2	3	5
Weston Park	Primary	Adequate	0	2	7	9
Muswell Hill	Primary	Adequate	0	4	5	9
St. John Vianney	Primary	Adequate	0	6	4	10
	Infant &					
St. Mary's Priory	Junior	Adequate	0	6	1	7
St. Michael's C of	Drim on (	Cubatantial	0	4	E	e
E The Vale	Primary	Substantial	<u> </u>	4	5 0	6 5
The Vale	Special	Adequate	0	6	9	
Belmont	Infant	Limited	0	5	4	15
Coleridge	Primary	Adequate		8		9
Lordship Lane	Primary	Limited	0		6	14
Pembury	Nursery	Limited	2	6	3 7	11
St. Gilda's Catholic	Junior	Adequate	0	4		11
Stroud Green	Primary	Nil	3	18	5	26
The Brook Special	Primary	Limited	0	7	5	12
St. Aidan	Primary	Adequate	0	5	3	8
Seven Sisters	Primary	Adequate	0	5	6	11
Lea Valley	Primary	Nil	0	14	6	20
Primary & Special			6	103	79	188
Sub-total			J	100	7.5	100
Gladesmore	Secondary	Substantial	0	2	0	2
Secondary Sub-			0	2	0	2
total						
Total			6	105	79	190



# The results of internal audit's follow-up work on the 2018/19 school audits

Follow up of 2018/19 audits	Туре	Assurance	Reco	Recommendations raised Recommendations				commendations Implemented			Partly Impl.	Not Impl.	N/A	Priority 1 O/S
School			Priority 1	Priority 2	Priority 3	Total	Priority 1	Priority 2	Priority 3	Total	Total	Total	Total	Total
Chestnuts	Primary	Limited	0	9	6	15	0	5	4	9	4	2	0	0
Devonshire Hill	Primary	Substantial	0	1	2	3	0	1	2	3	0	0	0	0
Earlham	Primary	Substantial	0	3	0	3	0	3	0	3	0	0	0	0
Earlsmead	Primary	Substantial	0	3	2	5	0	3	2	5	0	0	0	0
Highgate	Primary	Substantial	0	4	8	12	0	0	6	6	2	4	0	0
Risley Avenue	Primary	Limited	1	15	5	21	1	8	0	9	12	0	0	0
Rowland Hill	Nursery	Substantial	0	1	5	6	0	1	3	4	1	1	0	0
South Harringay	Infant	Substantial	0	6	4	10	0	4	3	7	1	2	0	0
St. Francis de Sales	Infant & Junior	Substantial	0	3	5	8	0	2	5	7	1	0	0	0
St. Ignatius RC	Primary	Limited	3	9	3	15	1	4	2	7	4	3	1	2
St. James C of E	Primary	Limited	1	12	4	17	0	8	2	10	7	0	0	1
The Willow	Primary	Substantial	0	2	6	8	0	2	6	8	0	0	0	0
Primary/Special Total			5	68	50	123	2	41	35	78	32	12	1	3
Park View	Secondary	Substantial	0	5	7	12	0	5	4	9	3	0	0	0
Secondary Total			0	5	7	12	0	5	4	9	3	0	0	0
Overall Total			5	73	57	135	2	46	39	87	35	12	1	3



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# Agenda Item 15

Report for: Corporate Committee – 30 July 2020

Title: Annual Internal Audit Report 2019/20

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 Members of the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2019/20 and present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other bodies.
- 1.2 This report also fulfils the relevant statutory requirements of the 2017 UK Public Sector Internal audit Standards (PSIAS); the 2017 Local Government Transparency Code; and the Corporate Committee's terms of reference.

### 2. Cabinet Member Introduction

2.1 Not applicable.

### 3. Recommendations

3.1 That the Corporate Committee notes the content of the Head of Audit and Risk Management's annual audit report and assurance statement for 2019/20.

### 4. Reasons for decision

- 4.1 The Corporate Committee is responsible reviewing the Annual Internal Audit Report as part of the required statutory processes.
- 4.2 In order to facilitate this, reports are provided on a quarterly basis to the Corporate Committee on the work undertaken by the Internal Audit Service in completing the 2019/20 annual audit plan, together with reports on the responsive and pro-active fraud investigation work undertaken during the year.
- 4.3 The report also supports the production of the Council's statutory Annual Governance Statement.

# 5. Alternative options considered

5.1 Not applicable.

### 6. Background information

6.1 One of the terms of reference for the Corporate Committee is 'to consider the Head of Audit and Risk Management's annual report and a summary of Internal



Audit activity (actual and proposed) and the level of assurance it can provide about the Council's corporate governance arrangements.'

- 6.2 In addition, the mandatory PSIAS state:
  - The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
  - The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
  - The annual report must incorporate:
    - o the opinion;
    - o a summary of the work that supports the opinion; and
    - a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.
- 6.3 The 2015 Local Government Transparency Code requires the Council to publish information annually in respect of its counter-fraud activities and the resources used to undertake this.
- 6.4 The information in this report has been compiled from information held within Audit & Risk Management and from records held by Mazars Public Sector Internal Audit Ltd (Mazars), the contracted provider of internal audit services to the Council and relates to the work carried in the financial year 2019/20.

# 7. Contribution to strategic outcomes

- 7.1 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 Corporate Plan 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 and extended to 31 March 2024, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

The report includes a number of estimates of the value of fraud uncovered by the work of the team; the Council will always seek to recover this where possible and in many instances this has been achieved. Even where full recovery has not yet been possible, the investigatory work has prevented further losses.

Two of the largest areas of activity concern housing – tenancy and 'Right to Buy' fraud. The financial benefits to the Council of the housing tenancy fraud work will be realised as properties are recovered and returned to the Council's portfolio. The Cabinet Office estimates that the costs of fraudulent tenancies and unauthorised sub-letting equate to £18k per annum per property, mainly



relating to additional costs for temporary accommodation. Preventing fraudulent Right to Buy applications ensures that properties are retained within the social housing stock and discounts of up to £104k per property are not allocated to those who are not entitled to receive them.

# 8.2 Legal

The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and in noting that the level of audit coverage complies with the mandatory PSIAS industry required standards, and that measures have been put in place to deal with instances of limited or nil assurance reports, 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.

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

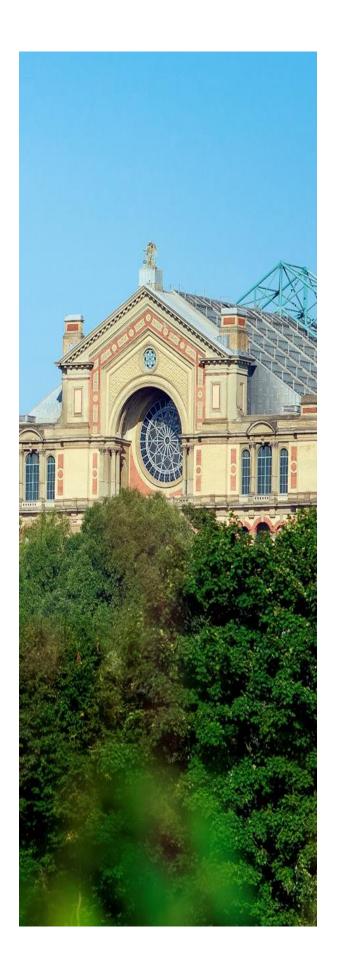
Appendix A – Annual Internal Audit Report 2019/20.

# Local Government (Access to Information) Act 1985 Not applicable





# Annual Internal Audit Report and Head of Internal Audit Opinion 2019/20



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### Introduction

### 1. Role of Internal Audit

- 1.1 The requirement for an internal audit function is detailed within the Accounts and Audit (England) Regulations (amended) 2015, states that a relevant body must: 'Undertake and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'
- 1.2 The mandatory UK Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual opinion, which is based upon the internal audit work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control. This is achieved through a risk based internal audit plan. For 2019/20, the internal audit plan was agreed with management and endorsed by the Corporate Committee at the start of the financial year. The internal audit plan provides a reasonable level of assurance over the system and internal controls operating in the Council and the level of assurance should not be regarded as absolute.
- 1.3 Under the PSIAS, internal audit is required to have an external quality assessment at least once every five years. Haringey's audit was externally assessed in 2014, which confirmed that the Council complied with the required standards; annual self-assessments undertaken since this have ensured continuing compliance with PSIAS and a Quality Assurance and Improvement Plan is in place for 2020/21. Mazars were last independently audited in 2019 to confirm the robustness of their methodology and compliance with standards. We plan to have another external assessment to independently confirm compliance with the standards.
- 1.4 Internal Audit services for Haringey Council, excluding the investigation of allegations of fraud and corruption, are provided by Mazars LLP (Mazars) as part of the framework contract awarded to the London Borough of Croydon. The contract was retendered in 2017 and now runs until 2024 with a further option to extend for 2 years.
- 1.5 Covid-19 had an impact on the delivery of the of the final elements of the 2019/20 audit plan. With services implementing their business continuity plans and reviewing their service delivery in light of the crisis, the focus of internal audit shifted to supporting the organisation by providing advice and assurance with regards the new risk profile we faced. Officers working remotely hindered completing audit testing for some audit areas and these audits have been deferred for completion in 2020/21.

# 2. Internal Audit Approach

2.1 To assist the Council in meeting the relevant audit standards and achieving its objectives, internal audit provides a combination of assurance and advisory activities. Assurance work involves assessing how well the systems and processes are designed and working; advisory activities are available to help improve systems and processes where required.

- 2.2 A full range of internal audit services has been provided during the year and considered when forming the annual opinion. The approach to each audit review is determined by the Head of Audit and Risk Management, in discussion with Mazars and service management and will depend on; the level of assurance required; the significance of the area under review; and risks identified.
- 2.3 A report is issued for every assurance project in the annual audit plan, which provides an overall audit opinion according to the level of risk of the findings. In addition, each recommendation is given a priority rating, to assist service management in prioritising their work to address agreed recommendations. The overall classification relates to the findings at the time of the audit work. Internal Audit undertake formal follow up work to ensure recommendations are implemented.

# **Executive Summary**

# 3. Internal Audit Opinion

- 3.1 The Head of Audit and Risk Management is responsible for delivering an annual audit opinion and report that can be used by the Council to help inform its statutory Annual Governance Statement. The annual audit opinion provides a conclusion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 3.2 Internal audit work, using a risk based approach, included reviews of those systems, projects, and establishments to discharge the Chief Financial Officer's responsibilities under s151 of the Local Government Act 1972; the 2017 UK Public Sector Internal Audit Standards; and the 2015 Accounts and Audit (England) Regulations.
- 3.3 In providing the annual audit opinion reasonable, but not absolute, assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance given, I have taken account of:
  - reports on all internal audit work completed, including any advisory work and briefings to management;
  - results of follow up exercises undertaken;
  - any reviews completed by external review bodies;
  - the resources available to deliver the internal audit plan; and
  - compliance with 2017 UK PSIAS.
- 3.4 I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Council's internal control environment.
- 3.5 I have considered the work completed by both Mazars and the in-house anti-fraud investigation team for 2019/20. This includes reviews of internal audit reports, fraud investigations and briefings to management. In my opinion, with the

- exception of those areas where 'limited' or 'nil' assurance reports have been issued, the controls in place in those areas reviewed are adequate and effective.
- 3.6 Where weaknesses in controls have been identified, internal audit has worked with management to agree appropriate actions and timescales to improve controls. Internal Audit will undertake follow up reviews or further audit work to confirm their implementation.
- 3.7 It is my opinion that overall internal audit can provide Adequate Assurance that the system of internal control that has been in place at the Council for the year ended 31st March 2020 accords with proper practice, except for the significant internal control issues referred to in this report. This means that 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.
- 3.8 Outcomes of the 2019/20 audit plan contained within this report indicate that areas where assurances were not adequate were: Contract Management; Change Management; Brokerage; Management of Parks and Open Spaces; Disposal of Property; SEN Transport; Payroll and Delivery of Council Housing. In addition advisory work was focused on areas such as: Information Governance and Property Governance following issues that arose in year.
- 3.9 Analysis of recommendations raised in service focus reviews shows that a significant proportion of recommendations raised relate to organisation controls around record keeping and audit trails; supervision and management information. As part of producing this annual report, the recommendations falling due in year were followed up and results were positive. Follow up of recommendations is part of the 2020/21 QAIP.
- 3.10 Further actions to enhance the governance framework, as outlined within the 2019/20 Annual Governance Statement, where controls were not fully implemented to address the issue in 2019/20 included: The safety of two buildings on Broadwater Farm; Schools Finance and Governance and Ofsted Inspection. Some minor governance actions were noted as part of the annual review and these along with the new significant issues will be tracked in 2020/21.
- 3.11 I reported last year that the control environment in Haringey's schools required improvement. Although year on year there has been an improvement with proportionately fewer schools assessed as limited or no assurance opinions, some schools are still a cause for concern. Two schools in 2019/20 were given nil assurance. Work continues to be undertaken in conjunction with the School's Forum and Children's Services to assist schools and reduce the potential risks. More information is provided in the Annual Schools Report. A summary of outcomes for 2019/20 is as follows:
  - Twelve out of 18 schools completed received above an 'adequate' assurance rating;

- Of the other six schools, four received a 'limited' assurance rating and two nil assurance; and
- One school was deferred to 2020/21 due to Covid-19.

# 4. Internal Audit Coverage and Output

- 4.1 The 2019/20 audit plan was informed by internal audit's own assessment of the Council's key risk areas and discussions with Priority Owners and senior management to ensure that audit resources were aligned to agreed areas of risk. A small contingency was included in the audit plan to ensure any emerging risks during the year could be adequately reviewed.
- 4.2 The original plan for 2019/20 included 64 projects, including schools audits, and was approved by the Corporate Committee on 26 March 2019. Table 1 below provides the outcome of the 64 projects and details those not undertaken and those added to the plan in year. Overall a total of 68 projects were included in the final audit plan. 46 of which have a formal audit assurance opinion assigned to them. The projects added were funded from contingency and from days made available due to the changes in the risk profile or assurance needs. Note the added projects are the Audit Needs Assessment and all projects termed ad hoc work. The definitions of assurance levels are below the table for reference.

# 4.3 Table 1 - Internal Audit Plan- Summary of Outcomes

Ref.	Audit area	Assurance Level	P1	P2	P3	Status
	CORPORATE RISK AUDITS					
1	Review of Corporate					
	Programme and					
	Transformation	N/A				Advisory
2	Management of Contracts	Adequate	0	4	0	Final
3	Sap - Development & Advice	N/A				Cancelled
4	Transformation programmes -					
	Review Risks, systems and					
	Processes (FOBO)	N/A				Advisory
5	Financial Assessment of		0	3	1	
	Clients	Adequate				Final
6	Review of Financial					
	Compliance Function	N/A				Advisory
	Priority 2 – People (Children					
	Services)					
7	SEND (including Payments for					
	Respite Care)	N/a				Deferred
8	Supporting Care leavers		0	1	0	Final
	(UCAS)	Adequate				
9	Early Years commissioning	N/a				Deferred
10	SEN Transport Service	Limited	2	4	1	Final

Ref.	Audit area	Assurance Level	P1	P2	P3	Status
	Priority 2 – People (Adult Social Services)					
11	Brokerage	Limited	1	7	1	Final
12	Management of Personal Budgets & Direct Payments	Adequate	0	2	4	Final
13	Review of Service Plans (including LD and MHS)	Adequate	0	2	0	Final
15	Demand Management	Adequate	0	1	1	Final
16	Reablement	Adequate	-	-	-	Draft
	Priority 3 – Place (Environment & Neighbourhoods					
17	Review of Parking operations	Adequate	1	1	0	Final
18	Management of Parks and Open Spaces	Limited	1	4	0	Final
19	Community Safety - Use of MoPAC funding	Adequate	0	2	0	Final
20	Fusion - Fees & Charges	Adequate	0	3	2	Final
	Priority 4 – Sustainable Housing Growth and Employment (Regeneration)					
21	Management of Commercial Property Portfolio	Adequate	0	5	2	Final
22	Delivery of Capital schemes	N/A				Advisory
23	New Council House Delivery Programme	Limited	2	4	0	Final
24	Disposal of Assets	Limited	1	4	0	Final
	IT Audit					
25	It Governance & Control Framework	N/a				Cancelled
26	Network & Internet Controls	N/a				Cancelled
27	Threat Management	N/a				Cancelled
28	Disaster Recovery	N/a				Cancelled
29	Change Management	Limited				Final
30	Comino Application Review	N/a				Cancelled
31	IT Audit Needs Assessment	N/a				Advisory

Ref.	Audit area	Assurance Level	P1	P2	P3	Status
	CONTRACT AND PROCUREMENT:					
32	Contract Management - Ringway	Limited	0	3	0	Final
33	Contract Management - Refuse Collection	Adequate	0	2	2	Final
34	Contract Administration	Adequate	0	3	1	Final
	KEY FINANCIAL SYSTEMS			_		
35	Automatic Payments	Adequate	0	2	1	Final
36	Housing Benefit		0	1	2	Final
	Overpayments	Adequate				
37	Budget Monitoring & Control	Substantial	0	1	1	Final
38	Teachers' Pensions					Advisory
	contributions	N/A		_	_	
39	Treasury Management	Substantial	0	0	0	Final
40	Accounting & General Ledger	Substantial	0	2	0	Final
41	Pension Fund	Adequate	0	3	1	Final
42	Accounts Receivable (Sundry	A do ayyota	0	4	_	Final
40	Debtors)	Adequate	0	2	0	Final
43	Accounts Payable (Creditors)	Adequate	0	1	2	Final
	Housing Benefits	Adequate			1	Final
45	Council Tax	Adequate	0	3 2	1	Final
46 47	NNDR	Adequate	0	3	0	Final
47	Payroll School Audits	Limited	U	3	U	Final
	Secondary Schools					
48	Gladesmore Secondary	Substantial	0	2	0	Final
49	Highgate Wood Secondary	N/a				Deferred
	Primary Schools	1470				Bololloa
50	Coleridge Primary	Adequate	0	5	4	Final
51	Lee Valley Primary	No	0	14	6	Final
52	Lordship Lane Primary	Limited	0	8	6	Final
53	Muswell Hill Primary	Adequate	0	4	3	Final
54	Seven Sisters Primary	Adequate	0	5	6	Final
55	St Aidan's Primary	Adequate	0	5	3	Final
56	St John Vianney Primary	Adequate	0	6	4	Final
57	St Mary's RC Primary	Adequate	0	6	1	Final
58	St Michaels CE Primary	Substantial	0	1	5	Final
59	Weston Park Primary	Adequate	0	2	7	Final
60	Stroud Green	No	3	18	5	Final

Ref.	Audit area	Assurance Level	P1	P2	P3	Status
	Junior Schools					
61	St Gilda's Junior	Adequate	0	4	7	Final
	Infants Schools					
62	Belmont Infants	Limited	0	6	9	Final
	Nursery Schools					
63	Pembury	Limited	2	6	3	Final
	Special Schools					
64	The Vale Special	Adequate	1	4	0	Final
65	The Brook at Broadwater	Limited	0	7	5	Final
66	Blanche Neville Special	Adequate	0	2	3	Final
	Ad Hoc Work					
67	Ebonycare	N/A				Advisory
68	Lee Valley School	N/A				Advisory
69	Cash Handling procedures - Children's Services	N/A				Advisory
70	Stroud Green Investigation	N/A				Advisory
71	Pendarren Centre	N/A				Advisory
72	Schools Training	N/A				Advisory
73	IT review - Stroud Green	N/A				Advisory
74	Alexandra House - New Controls	N/A				Advisory
75	Property Acquisition	N/A				Advisory
76	Stroud Green Income	N/A				Advisory
	Investigation					
77	Alexandra House – independent review	N/A				Advisory
78	Data Breach	N/A				Advisory

### **Assurance Definition:**

Substantial Assurance: There is a sound system of control designed to achieve the system objectives.

Adequate Assurance: There is basically a sound system, but there are weaknesses which put some of the system objectives at risk.

Limited Assurance: Weaknesses in the system of controls are such as to put the system objectives at risk.

Nil Assurance: Control is generally weak leaving the system open to significant error or abuse.

- 4.4 The audit plan needs to be flexible to deal with changes in assurance need and risk during the year. Table 2 below contains a summary of the changes.
- 4.5 Table 2 Summary of changes to the audit plan.

Number of projects as per the original plan	64
Projects added to the plan	13
Cancelled audits	6
Audits deferred to 2020/21	3
Total number as per the revised plan	68

- 4.6 Most of the audit work was geared towards providing assurance to management on the adequacy and effectiveness of the Council's internal control environment. This work provided an outcome report with an assurance rating. Other work provided advice and support to management to improve efficiency, or the effectiveness of systems, services or functions; in these cases an outcome report or assurance rating is not provided.
- 4.7 Resources to complete follow up work are also included in the annual audit plan, including formal follow up reports for schools. The results of the follow up reviews were reported to the Corporate Committee throughout 2019/20.
- 4.8 The decision to cancel a planned audit is taken by the Head of Internal Audit in consultation with key stakeholders. The reasons for the removal from the plan are included below

### 4.9 Table 3 – Audit Cancelled

Audit	Reason for removal from plan
SAP development	Decision not to replace SAP so audit input not required.
/ replacement	
IT Governance &	, ,
Control	reviewed in year through discussions with the service, Senior
Framework	Management and Mazars. Increased risk management work
Network & Internal	was planned, and an audit needs assessment undertaken to
Controls	inform the audit plan. Other assurances were considered as
Threat	part of this joined up work. The outcomes have informed the
Management	plan for 2020/21 which due to COVID-19 will be kept at a
Disaster Recovery	realistic level to enable delivery. In future years the target will
	be 10% of the plan focused on IT Risk areas due to the
	increased reliance on technology.
Comino	Application was replaced. Application reviews in prior years
Application	had provided insight into areas of weakness applicable to
Review	other applications.

- 4.10 The 2019/20 internal audit plan was substantially completed, Mazars delivered 96% of the planned audit work (as at 15 April 2020). Audit were completed with the following exceptions:
  - Highgate Wood School;
  - Early Years;
  - SEND.
- 4.11 I do not consider the exceptions outlined above to have an adverse impact on providing my overall opinion for 2019/20. All audits had commenced but were not complete at the end of the year. COVID-19 impacted on efficient completion of the work, so all were deferred for completion in 2020/21. An analysis of the audit outcomes is included later in the report.

# 5. Annual Internal Audit Report & Opinion Statement 2019/20

# Scope of Responsibility

- 5.1 The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. Specifically, the Council has a statutory responsibility for conducting a review of the effectiveness of the system of internal control on at least an annual basis.
- 5.2 Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The Accounts and Audit Regulations require the Council to review, at least annually, the effectiveness of its system of internal control. Internal audit plays an important role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity and recommendations should strengthen the control environment and ultimately contribute to achieving the organisation's objectives.

# The Purpose of the System of Internal Control

- 5.3 The Council's system of internal control is designed to manage risk to a reasonable level rather than to completely eliminate the risk of failure to achieve policies, aims and objectives. Consequently, it can only provide a reasonable, and not absolute, assurance of effectiveness.
- 5.4 The system of internal control is based on an ongoing process designed to identify

and prioritise the risks to the achievement of the Council's vision, strategic priorities, policies, aims and objectives. It also is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

# Annual Opinion Statement on the Effectiveness of the System of Internal Control

- 5.5 The IA Plan for 2019/20 was developed primarily to provide Corporate Board and the Corporate Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, including an assessment of the Council's corporate governance arrangements and risk management framework.
- 5.6 The HIA opinion is based primarily on the work carried out by the Council's IA service during 2019/20, as well as a small number of other assurance providers. Where the work of internal audit has identified weaknesses of a systematic nature that impact on the system of internal control, this has been considered in forming the HIA opinion.

### **Basis of Assurance**

- 5.7 All of the IA reviews carried out in 2019/20 have been conducted in accordance with the UK PSIAS, based on the annual assessment carried out by Mazars as part of their annual internal peer review challenge.
- 5.8 In line with the UK PSIAS, the Head of Audit and Risk Management is professionally qualified and suitably experienced. The skills mix within the contractor's team has evolved during the year though every single member of the IA team is either fully qualified or actively studying for a relevant professional internal audit or accounting qualification. As a result, the 2019/20 IA resources fulfilled the UK PSIAS requirements in terms of the combination of professionally qualified and suitably experienced staff.

# Qualifications to the Opinion

- 5.9 During 2019/20 the Council's IA service:
  - had unrestricted access to all areas and systems across the authority;
  - received appropriate co-operation from officers and members; and
  - had sufficient resources to enable it to provide adequate coverage of the authority's control environment to provide the overall opinion. A benchmarking review of local authorities' internal audit service has revealed Haringey Council has on average fewer internal audit days than other London boroughs. The Head of Audit and Risk Management is looking at how the authority can obtain an adequate level of business assurance.

### Other Assurance Providers

5.10 In formulating the HIA overall opinion on the Council's system of internal control, the Head of Audit and Risk Management has taken into account the work

undertaken by other sources of assurance, and their resulting findings and conclusions. These other assurance providers which included:

- Risks identified on the Corporate Risk Register;
- The work of the Priority Boards;
- The work of Feedback and Information Governance Group;
- The Statutory Functions Board;
- The IT Security Group;
- The work of the Health & Safety Group;
- External Audit Plan and ISA206.

# Significant Internal Control Weaknesses

- 5.11 Internal audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise during the year.
- 5.12 There were several significant control weaknesses identified by internal audit during 2019/20. The risks identified from the audit work have been raised with management and work is ongoing to strengthen the Council's control environment in relation to the risks identified.
- 5.23 The audit work for 2019/20 has raised awareness of weakness of controls around compliance with policies and procedures. For a number of audits assigned limited assurance, it was noted the internal controls had been designed to mitigate risks, though in practice, some of these controls were not operating. Ordinarily, the "second line of defence" would alert management where internal controls are not operating as intended but for a number of audit areas, the second line of defence was not effective in identifying the weakness in the operation of the control. Examples of internal controls in the second line of defence include quality assurance and monitoring arrangements, performance management and key performance indicators, data quality and control and oversight and supervision.
- 5.24 Senior management have agreed to respond to the significant internal control weaknesses identified for internal audits carried out in 2019/20. The work of internal audit has also seen internal control improvements in other areas, including the work senior management has carried out to review and refresh the Medium Term Financial Plan and transformation savings to strengthen financial resilience of the Council, though senior management recognise there is more to do.

# 6. Analysis of audit work

6.1 A review of the work of internal audit is summarised in the table below, it should be noted that in 2019/20 a new approach to assurance rating was provided as it was felt that, as indicated by the 2018/19 results, that there was a tendency for reports to be either limited or substantial. The new approach was designed to ensure all four categories were used and the assurance more meaningful. This slightly hinders the year on year comparison but the 2019/20 results do provide more detailed assurances to stakeholders.

# 6.2 Table 4 analysis of audit outcomes

Assurance Level	2019/20 Assurance Reports	2018/19 Assurance Reports
Substantial /Full	5 (7%)	1 (2%)
Adequate/Substantial	28 (42% )	27 (45%)
Limited	11(17%)	16 (26%)
Nil/No	2 (3%)	0 (0%)
Advisory	18 (26%)	8 (13%)
Finals report to issue	1 (1%)	7 (12%)
Deferred*	3 (4%)	-
Total	68	59

<sup>\*</sup>Unlike other years audits not completed to draft stage have been deferred to new plan, this is due to COVID-19 and the furlough of Mazars team.

6.3 More than double advisory audits between 2018/19 and 2019/20, this is understandable as management seek input over design of internal control to ensure effective arrangements are put in place.

# Follow up – Recommendations raised in 2018/19

6.4 An analysis of the recommendations raised as part of the 2019/20 audits is set out below.

# 6.5 Table 5 2019/20 recommendations by priority

Risk	Numb	per of	Perce	entage
	recommendations			
	2018/19	2019/20	2018/19	2019/20
Priority 1 – High	22	14	8%	5%
Priority 2 –	167	181	62%	62%
Medium				
Priority 3 - Low	80	99	30%	33%
Total	269	294	100%	100%

6.5 Recommendations are followed up on an on-going basis until closed, this activity is monitored and concerns escalated to Senior Management. A new follow up regime has been designed following review of the 2019/20 results.

# 7 Consultancy Audits 2019/20

7.1 Over the last year, the number of consultancy work, advice and guidance increased considerably over the previous year (eight in 2018/19 and four in 2017/18). This is reasonable when services are reshaping their management structure and delivery models. The trend for continued support and advice is likely to continue into 2020/21 and beyond, the service has been reviewed to ensure it can support the work the organisation going forward. More in-house resource is available for 2020/21 and the redesigned Mazars team provides strengthened specialist input into areas such as: IT, Project Management; Housing and Schools. The Mazars team also have a wide range of other specialist resources that can be called on via our current contract as needed.

# 8 Quality Assurance and Improvement Programme

- 8.1 The Public Sector Internal Audit Standards' (PSIAS) set out the need for internal audit to develop an assurance and improvement programme (QAIP) which seeks to ensure the internal audit service conforms to the PSIAS and provides a means of maintaining continuous improvement.
- 8.2 For 2019/20, the internal audit service has looked to sharpen understanding of key risks by identifying, assessing and reporting on the bases of risk. To that end, the audit planning processes, and reporting arrangements have been updated so that the documents are more risk orientated. The assurance levels have also been changed to better reflect the profile of risks for the areas audited. This new approach was embedded in 2019/20.
- 8.3 During 2019/20 a restructure took place to create a Deputy Head of Audit and Risk post in the team to support the Head of Audit & Risk in delivering the QAIP. The 2019/20 service was reviewed in quarter four to inform the QAIP for 2020/21. Although the planned activities were timed throughout 2020/21 originally, COVID-19 and the impact on delivery of the audit plan has enabled more time to be spent in quarter one 2020/21 on service improvement and we have been working with Mazars to implement this ready for quarter two, this will support us to deliver the audit plan in the remaining nine months of the year and to ensure that sufficient assurance is available to key stakeholders and to inform next years Head of Internal Audit Opinion.

### Anti-fraud work 2019/20

### 9. Introduction

9.1 Haringey Council is committed to ensuring the highest possible standards are maintained by its employees, contractors and residents. Fraud and corruption can impact on the public's confidence in the Council and its reputation in the long term. Anti-fraud policies and strategies are in place to detect and prevent fraud and a corporate Fraud Team is managed by the Deputy Head of Audit and Risk Management.

# 10. Transparency Code 2015

10.1 In accordance with Part 2 of the Local Government Transparency Code 2015, Haringey is required to publish information on the cost of its anti-fraud work and the outcomes achieved. Details of the required information and the Fraud Team's involvement in anti-fraud work during 2019/20 is summarised below.

# 10.2 Table 6 -Transparency Code reporting – costs and fraud cases 2019/20

Transparency Code requirement	2018/19	2019/20
Allocated budget for anti-fraud work	£672k	£606k
Number of staff (absolute and FTE) undertaking anti-fraud work	7.5 staff: 7.5 FTE	7.5 staff: 7.25FTE
Number of staff of professionally accredited anti-fraud specialists	5 staff	5 Staff
Total amount of time spent on the investigation and prosecution of fraud	1,323 days	1,279 days
Total number of fraud cases investigated	848	795
Number of occasions powers under the Prevention of Social Housing Fraud Regulations have been used	120	107

10.3 The Transparency Code also requires a breakdown of the 795 fraud cases (identified in Table 6) investigated during 2019/20. This is provided below and there is also a more detailed section within the report outlining the activity.

# 10.4 Table 7 Transparency Code reporting – investigations completed by type

Investigation area	Number of investigations 2018/19	Number of investigations 2019/20
Employee fraud cases	22	18
Whistleblowing non-	-	1
employee		'
Right to Buy applications	236	238
Tenancy fraud	191	204
Pro-active tenancy checks	205	204
Gas Safety tenancy checks	149	101
No Recourse to Public Funds	45	29
Total	848	795

### **Internal Employee Investigations**

- 10.5 During 2019/20, 18 investigations were recorded involving employees or agency workers. The 18 is made up of: 12 were council workers, two of which were agency workers; three Homes for Haringey employees of which two officers who had left the council's employment at the time of the referral; one school employee. The allegations covered a number of issues including abuse of position, bringing the council into disrepute, misuse of council resources, theft and bullying and harassment.
- 10.6 In all 18 investigations, the skill set available across the team with regards audit, fraud and risk management is deployed to work with the relevant stakeholder to ensure the relevant offence or breach is identified; the appropriate action is taken in response, in line with approved policy and procedure and where required:
  - (i) Disciplinary action be taken in accordance with Council procedures and /or
  - (ii) Changes to policy, practice or procedure to mitigate similar future occurrences.
- 10.7 In ten (10) cases, the investigation found evidence to support the allegations. In three (three) instance the Fraud Team were required to support the disciplinary process, which led to a dismissal. In one (1) instance the Service Manager took internal action without sanction. Six (6) employees resigned prior to a disciplinary hearing.

- 10.8 In eight (8) cases, there was either insufficient evidence to support the allegation or Service management completed the disciplinary process.
- 10.9 There were two (2) instances of Agency staff being investigated for alleged irregularities and each instance, the temporary agency contract was terminated.
- 10.10 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. The Fraud Team have been set a target to complete investigations within eight weeks of the referral from 2019/20 and this will continue to be monitored. It is anticipated most cases will be completed in this period although cases can and do take longer to go through the disciplinary process and reach a conclusion. Some investigations were impacted by the pandemic at the end of the financial year.

# Use of the Council's Whistleblowing policy 2019/20

- 10.11 The Head of Audit and Risk Management maintains the central record of referrals made using the Council's whistleblowing policy. In total, 19 whistleblowing referrals were made during 2019/20, as outlined above 18 of which were employee related. One related to a partner organisation rather than an individual.
- 10.12 All referrals made using the whistleblowing policy are reviewed and subsequent investigations are managed according to all relevant statutory requirements, including Data Protection, Regulation of Investigatory Powers and Police and Criminal Evidence Acts. In some cases, the limited amount of information provided means a full investigation cannot be undertaken. The management of the Audit and Risk service undertakes an initial review of the information before agreeing an approach with HR and service management. Any allegations relating to financial issues are investigated by the Fraud Team.
- 10.13 In 2019/20, one (1) case was reported to Service Directors, two (2) are an ongoing investigation including the Police and fifteen (15) have been investigated under the Employee Irregularity procedure.
- 10.14 Reminders regarding expected standards of behaviour and how to report suspected fraud are provided via staff newsletters, the Council's intranet and website and via Haringey People and Home Zone publications were provided in 2018/19 and further steps will be considered in 2020/21 financial year.

# Right to Buy in 2019/20

- 10.15 In 2019/20, the Fraud Team has investigated 238 RTB applications. The team reviews every RTB application to ensure that any property where potential benefit or succession fraud is indicated can be investigated further. As a result of the applicants' interviews with the Fraud Team, further investigations and/or the requirement to complete money laundering processes, 90 potentially fraudulent RTB applications have been stopped. Of the applications reviewed a further 102 were withdrawn for other reasons and 46 council properties were sold. At the end of the year there were 212 applications in progress.
- 10.16 Through the course of due diligence checks on RTB applications, it may be noted that there has been a former fraudulent declaration to receive Housing Benefit, where no entitlement is due. The Fraud Team will alert Housing Benefit to the need to raise an overpayment against the tenant, which will recover lost income to the Council. In 2019/20 one overpayment of £9k was highlighted and repaid. Other overpayments of £21k, £5k and £3k were identified in year, and action taken to attempt to recover.

# Tenancy Fraud

10.17 In 2019/20, the Fraud Team continued to work with Homes for Haringey to support their efforts to prevent and detect tenancy fraud. Numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below.

Table 8 – 2019/20 tenancy fraud referrals and opening caseload

Live cases brought forward from 2018/19	148
Referrals received in 2019/20	204
Total live cases	352

Table 9 – 2019/20 Outcomes and closing caseload

Properties recovered	56
No fraud identified/cases closed	100
Ongoing investigations / live cases	196

- 10.18 It is noted referrals were up from 191 in 2018/19 an increase of 23. Properties recovered exceeded the performance target of 50 and exceeded the 2018/19 performance of 52.
- 10.19 Of the 148 live cases, at the start of the year, and the 196 ongoing investigations/live cases at year end, these will sit in various stages of the process this can be with the investigator, Legal or Homes for Haringey. Once the status of the tenancy has been investigated and the case is either: 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; there is a Notice on the Public Trustee; or the rent account is showing an "Unauthorised Occupant" on the Housing database and awaiting eviction.

# Pro-Active and Reactive Anti-Fraud Activity 2019/20

10.20 During 2019/20, the Fraud Team have undertaken a number of pro-active and reactive anti-fraud projects in areas which have been identified as a high fraud risk. Progress reports on this work have been reported to the Corporate Committee during the year; the findings and outcomes are all shared with service managers as the projects are delivered.

# Gas safety – execution of warrant visits

- 10.21 Since July 2016, the Fraud Team accompany warrant officers on all executions of warrant of entry visits where it was suspected that the named tenant was not in occupation. During 2019/20, 20 properties have been recovered through this project these are included in the total of 52 Council properties recovered in 2019/20.
- 10.22 Through these visits, the Fraud Team have come across cases of concern; where the living conditions and/or vulnerability of a tenant needs to be addressed by Tenancy Management or Social Services. These are reported to the appropriate Service.

# No Recourse to Public Funds (NRPF)

10.23 As at 31 March 2020, twenty nine (29) referrals have been received and responded to by the Fraud Team through the financial year. It can be reported that in at least 6 instances the Fraud Team intervention has averted an applicate not providing full information for financial or accommodation support, or an open case being closed. The average cost of NRPF support per family (accommodation and subsistence for a 2 child household) is around £20,000 pa. Referrals from the NRPF are significantly lower than previous years. It can be viewed that the interventions of the Fraud Team have potentially saved the Council up to £120,000 in support and

- accommodation costs, which may otherwise have been awarded where there was, in fact, no eligibility for assistance.
- 10.24 The project will be carried forward into the Fraud Work plan 2020/21, where advice, support and assistance to NRPF will continue as it is seen as an important Council Service.

### Added Value in 2019/20

- 10.25 The Fraud Team have been actively engaged with DWP Organised Fraud in a multi-borough fraud involving Housing Benefit claims. The Council no longer investigate Housing Benefit fraud cases as these are conducted by the DWP, however, the collaborative working of the Fraud Team continues to led to Housing Benefit cases being stopped in Haringey where there is suspicion of fraud.
- 10.26 In 2018/19 the Council signed up to a Joint Working Protocol with the DWP to consider cases of joint interest and collaborative working.

### Financial Values in 2019/20

- 10.27 In 2019/20, the target for anti-fraud work was to contribute a minimum of £11m worth of savings, or avoided expenditure, to assist the Council in improving its frontline services. The total cost of the anti-fraud team in 2019/20 was £606k.
- 10.28 The Cabinet Office (previously 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 performance indicators for tenancy fraud have been produced; therefore the £18,000 figure is still used, although this is considered low if the tenancy has been illegally sublet for several years.
- 10.29 The Government have linked RTB discount to the Consumer Retail Index, which means that, year on year, the maximum discount that can be given by the Council against the market value of a Council home, goes up. In 2019/20, this figure is £108,000. For reporting purposes and the financial value attributable to the 90 withdrawn cases referred to above, the maximum allowable figure of £108,000 is used.

### Reactive counter-fraud projects

10.30 Following a review of a complaint received by HfH, an investigation was launched into suspected irregularity by staff. This investigation is on-going.

### **Temporary Accommodation**

10.31 The Fraud Team are now working with the tenancy team to review tenancies of temporary accommodation, to identify any misuse of this type of accommodation.

### **Data Matching**

- 10.32 The National Fraud Initiative (NFI) is a biennial national data matching exercise co-ordinated by the Cabinet Office, which matches data within and between public and statutory sector bodies, to prevent and detect fraud. Data matching involves comparing sets of data, such as the payroll, pensions, housing waiting lists of an organisation against the same records held by counterpart authorities.
- 10.33 The data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it indicates an inconsistency in the data held by each party, which requires investigation, to determine whether there is error, omission or fraud that requires further investigation and which organisation, if any, is exposed to potential loss.
- 10.34 The current NFI, data extracts were taken, nationally, in October 2018, and the results published at the end of January 2019. The Q3 Committee Report in 2018/19 detailed the Service areas where the matches have been allocated in 2019.
- 10.35 In 2019, there are 10,145 matches identified involving Haringey records, which is similar to previous years. The proposal is that Service areas will commit to reviewing their specific allocation with any recognised or perceived fraud being passed to Internal Audit.
- 10.36 As at 31 March 2020, outcomes from the initial reviews include:
  - An investigation into a member of staff who has triple, concurrent, employment; and
  - £174,388 of income that can be recovered by the Council.
- 10.37 Specifically, 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.
- 10.38 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.

### **Prosecutions**

- 10.37 As at 31 March 2020 (Q4) two (2) Tenancy Fraud cases have been prepared and are with Legal Services for a Court application.
- 10.38 A prosecution (Blue Badge and Freedom Pass) has been presented to Court as part of a joint prosecution with three neighbouring London Boroughs. The accused was found guilty in August 2019.

# Agenda Item 16

Report for: Corporate Committee – 30 July 2020

Title: Audit & Risk Service Update

Quarter 1 (Apr-Jun 2020)

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 Audit and Fraud Resources team for the quarter ending 30 June 2020. A combined report has been produced to update the Committee as during quarter one the team faced the unprecedented circumstances of all working remotely from the Council offices due to COVID-19. In addition, the resources usually working in partnership to deliver the internal audit plan were furloughed by Mazars.

### 2. Cabinet Member Introduction

2.1 Not applicable.

### 3. Recommendations

3.1 The Corporate Committee is recommended to note the activities of the team during quarter one 2020/21.

### 4. Reasons for decision

4.1 The Corporate Committee is responsible for monitoring the effectiveness of the Council's Internal Audit Strategy; policies on Anti-Fraud and Corruption and receiving assurance with regard the Council's internal control environment and mechanisms for managing risk. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee with regards Audit and Anti-Fraud efforts and at bi- annually updates on Risk Management are provided.

### 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 Audit & Risk 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 although the impact of Covid-19 on planned activity has been clearly highlighted throughout the report. The potential financial risks arising from this is prominent within the draft Annual Governance Statement, which is also being presented on this agenda.. The work completed by the 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 Audit & Risk 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, these are reported against in the sections below.



### 11. INTRODUCTION

- 11.1 This report covers the period from 01 April 2020 to 30 June 2020.
- 11.2 The Team's in-house resources have not been significantly impacted by COVID-19. Business continuity plans have been enacted and corporate guidance to instigate remote working implemented. The working practices of the team have been greatly affected, compared to business as usual activity, and although outcomes have been maintained these too vary, for example risk based systems audits have been put on hold to allow departments to focus on delivering services to residents. The work of the fraud team has also been impacted due to an inability to carry out physical visits, interview people as part of gathering evidence and cancellation of court dates; some fraud cases are therefore on hold. In June 2020 a service meeting to discuss safe working practices was held and some urgent visits have taken place, where risk is low and safety precautions can be applied. Risk assessments and new arrangements for interviews will be embedded to enable this activity to recommence, in line with public health advice, and according to GOV.UK more courts are being assessed as fit to open weekly now. Longer term plans to review procedures and consider conference call meetings are being assessed.
- 11.3 One member of the team has been redeployed to support emergency activities in the Borough and has been delivering food packages. The officer who works part-time in the anti-fraud team, seconded from Homes for Haringey, has had increased responsibilities supporting their COVID-19 response. We have experienced no sickness absence in the team, but one officer has required some special leave due to carer responsibilities.
- 11.4 The Management Team had daily calls initially, which have been reduced to twice monthly at the end of the quarter. Daily calls with teams have continued throughout the quarter to ensure health and wellbeing and to attempt to maximise our outcomes. Regular liaison with Mazars has also occurred throughout the period and their team is now supporting on preparation for progressing delivery of the audit plan.

### 12. INTERNAL AUDIT

- 12.1 The Council's Internal Audit resources in quarter 1 has been equivalent to 0.7 FTE. The Head and Deputy Head of Audit and Risk have responded to the changing needs of stakeholders during the period. Audit is being flexible and agile to support the work of service and responding to new and emerging risks.
- 12.2 The Head of Audit & Risk has worked with the Council's Director of Finance and Monitoring Officer to ensure that the governance framework remains robust and offering both general and specific risk advice to support Directors as they make decisions at pace in response to the crisis. Meetings regarding procurement compliance have increased in frequency to ensure that changed control environments are operating as intended. Meetings of the Statutory Functions Board have increased to weekly throughout quarter one to enable regular discussion about statutory responsibilities.



- 12.3 The Head and Deputy Head of Audit & Risk have also been involved with the two Emergency Grant projects the Council has delivered, in response to government policy, this has been in an advisory role supporting the project team to quantify risk and make informed decisions regarding process. This work will continue as post payment and post event assurances are required by senior leaders and government for the circa £50m the Council has paid out.
- 12.4 We have supported on the production of the Annual Governance Statement, contributing to the contents of the statement and working with Directors to ensure all issues were accurately identified, captured and action plans in place and that robust decisions were made with regards existing issues and whether they were closed or carried forward.
- 12.5 Two Troubled Families returns have been audited and assurances provided to the Department for Ministry of Housing, Communities and Local Government (MHCLG) that the information provided by the Troubled Families Team in pursuit of funding is correct.
- 12.6 Although no risk-based systems audits have been able to take place there has been work to review the internal audit service and partnership with Mazars. The development plan for 2020/21 has been brought forward and efforts to consider the approach with regards Schools, IT, General Audit and Follow Up has been reviewed. These activities although not originally planned to be completed during this period, will save us time later in the year. During June this work, with Management, has included refocusing the 2020/21 audit plan and, with Mazars, how the plan will be delivered in the remaining nine months of the financial year.

### 13. RISK MANAGEMENT

- 13.1 For 2020/21 a service objective was to strengthen risk management in the Council, again this planned work has been adjusted to provide input and support to management regarding the risk arising due to Covid-19 and also those that may increase over time. A Covid-19 risk register was created focussing on both internal and external risks. These were reported to Statutory Functions Board and will continue to be monitored throughout 2020/21 until all risks are closed or moved onto other business as usual risk registers.
- 13.3 As noted above the team have advised management to support risk management decisions in the two grants projects in quarter one. The first related to small businesses and Retail Hospitality and Leisure Businesses in the Borough the second was a discretionary scheme which in the main focused on businesses in shared workspaces who did not have their own Business rates rateable value. Fraud risks were inherently high in both projects and significant work by the project teams needed to be undertaken to manage this risk to within the Council's risk appetite.
- 13.4 Work has been done to review the risk registers held by the IT service, as COVID-19 has made the council even more reliant on its IT infrastructure and technologies than before. The Senior Information Risk Officers Risk Register as also been refreshed and reviewed at the Information Governance Forum and Corporate Board, following a data breach in quarter four 2019/20.



13.5 Work to support individual Directorates, Services and Priority Boards has slowed in the period as Management were focused on crisis management, and our risk management work has shifted to be more real time challenge and assurance gathering, however it is expected this planned activity will resume in quarter two. Departments have nevertheless been encouraged and supported to maintain and refresh key risks.

### 14. ANTI-FRAUD ACTIVITY

14.1 The team undertake a wide range of anti-fraud activity but have two work areas where annual performance targets are in place. One relating to Tenancy Fraud and the other Right to Buy Fraud. These targets have been consistently achieved in recent years. Financial values can be assigned to these outcomes based on the discounts not given and the estimated value of providing temporary accommodation to a family. The Audit Commission, when in existence, valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, as noted above this related to average Temporary Accommodation (TA) costs. No new national indicators have been produced; therefore, although this value is considered low compared to potential TA costs if the property has been identified as sub-let for several years, Audit and Risk Management continue to use this figure of £18k per property for reporting purposes to provide an indication of the cost on the public purse of fraud activity.

### 14.2 Table 1 Local Performance Targets – anti fraud activity

Performance Indicator	Q1	YTD	Financial Value	Annual Target
Properties Recovered	3	3	£50+	50
Right to Buys prevented	25	25	£2m +	80

### 14.3 Tenancy Fraud – Council properties

- 14.4 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 colocated within the Fraud Team.
- 14.5 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. both tenancy fraud and right to buy fraud. Covid-19 has obviously impacted on outcomes in comparing activity to the same period in 2019 we note that 68 referrals were received 2019: 14 referrals 2020. 11 properties were recovered in 2019 compared to the three noted above.
- 14.6 Table 2 Tenancy Fraud Activity and Outcomes



Opening Caseload	196		
New Referrals received	14		
Total		21	0
Properties Recovered	3		
Case Closed – no fraud	19		
Total		(-) 22	)
	_		
Ongoing Investigations		18	8

14.4 Of the 188 ongoing investigations; 1 file is being prepared for prosecution and 129 of these cases (69%) are with other teams for action. Properties will be included in the 'recovered' data when the keys are returned, and the property vacated.

### 14.5 Right-to-buy (RTB) applications

- 14.6 As at 30 June 2020 there were approximately 169 ongoing applications under investigation. Due to Covid-19 the applications received had reduced to 13 the figure was more than double in the same period last year. It is expected that applications in quarter two will be higher than usual as a result. 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.
- 14.7 During Q1, 25 RTB applications were withdrawn or refused either following review by the fraud team and/or due to failing to complete money laundering processes. This performance is not significantly down on the same period in 2019 when the outcome was 30.
- 14.8 COVID-19 has prevented visits from taking place, based on risk other mechanisms of assurance have been deployed to ensure statutory timescales in the process are met. It is noted that for applications received in quarter one no visit will, for the same reasons, have been completed by the Homes for Haringey team. As visits resume this will be a risk factor in the teams decision making. Safe working practices for visits are being designed and will be implemented in July 2020.

### 14.9 **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. This activity as not been undertaken in quarter one and we are in liaison with Homes for Haringey as to when it will recommence.

### 14.10 Pro-active counter-fraud projects



During 2020/21, the Fraud Team will continue 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. In Q1 the proactive efforts have been focused on the two grants projects and reviewing any complex cases to assist management in making robust decisions that are compliant with the guidance and approved scheme.

### 14.11 No Recourse to Public Funds (NRPF)

As at 30 June, 22 referrals have been received and responded to by the Fraud Team in this financial year. This compares to six in the same period in 2019/20. The role of the Fraud Team is to 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.

### 14.12 <u>Internal employee investigations</u>

In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees. Four (4) employee investigations were in progress at the start of quarter 1, three new referrals were received by the team during the period and of these two new cases were accepted.

Of the six (6) investigations, five of which relate to permanent employees and one an interim employee, two were concluded with both subject to a formal disciplinary procedure. Four cases continued through into quarter 2.

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

### 14.13 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 1.

### 14.14 Prosecutions

As at 30 June 2020 one Tenancy Fraud cases have been prepared and are with Legal Services for a Court application. One further prosecution is in progress for Homes for Haringey.





# Agenda Item 17

Report for: Corporate Committee – 30 July 2020

Title: Updated Annual Internal Audit Plan - 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 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 Plan for 2020/21 (Appendix B) and the proposed changes to the plan (Appendix A).

#### 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 internal audit plan for 2020/21 was presented to the Corporate Committee on 8 April 2020 detailing the areas planned for audit in the financial year 2020/21. At that meeting of the Corporate Committee, the Head of Audit and Risk Management explained that in light of the impact of Covid-19, the internal audit plan will be reviewed to ensure the work on audit continued to focus on, and provide assurance to those areas that presented the highest risks. This was endorsed by the committee who asked for an updated internal audit plan at its next meeting.



- 6.2 Numerous meetings and discussions have taken place to discuss Covid 19 related risks with key stakeholders and in particular, between the Head of Audit and Risk Management and senior officers who sit on the Corporate Board to review and consider pertinent current risks. A number of new and significant risks have come to light recently that have a substantial impact on the audit plan. These are set out in Appendix A attached to this report.
- 6.3 Appendix B sets out the updated internal audit plan for 2020/21. It is important to note considerable uncertainty still remains of Covid-19 impact in this and subsequent financial years. The internal audit plan will have to be flexible to respond to emerging risks and provide assurance to the Council in its operations. The proposed annual audit plan for 2020/21 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.
- 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. This team will carry out the post assurance work associated with the administration of various grants administered by local authorities under the guidance issued by the Department for Business, Energy and Industrial Strategy.

### 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 proposed amendment to the Audit Plan agreed in April is noted and aims to respond to the on-going uncertainty and potential new risks created by Covid-19.

It is expected that any assurance work undertaken on behalf of Government, such as that described in para 6.4, will be reimbursed via new Burden Funding.



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 – Changes proposed to the Annual Internal Audit Plan 2020/21 Appendix B – Updated Internal Audit Plan 2020/21.

# 10. Local Government (Access to Information) Act 1985 Not applicable.





## Proposed Changes to the Internal Audit Plan 2020/21

New risk and nature of risk	Audit area	Audit days
There is a risk that Emergency Payments were not made as intended.	Probity Audit Emergency Payments	10
Covid-19 has impacted on the revenue due to the Council and there is a risk income due is not collected. The purpose of this audit is to provide assurance arrangements are in place for the proper administration of the Council's key income streams (general fund and HRA).	Revenue Assurance	15
Risk of non-compliance – where appropriate contracting procedures are not followed particularly following guidance issued under Policy Procedure Note 01/20, which sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the COVID-19 lockdown.	Procurement - Arrangement made under Policy Procurement Note	10
Failure to adhere to Policies and procedures in the use of the Council's purchase cards	Continuous audit of use of Purchase Cards	10
There is a risk that cyber criminals attack the Council's ICT, such as smart devices, PCs and cloud-based systems with malicious intent at a time when the organisation is dependent on its technology.	Management of Cyber risks	15
The disaster recovery arrangements made pre Covid-19 fail to respond allowing council services to continue in case of a disaster.	IT Disaster Recovery Arrangements	10
There is a risk that the technological platform upon which the Council's ICT infrastructure is based is not able	IT Infra structure Resilience	10

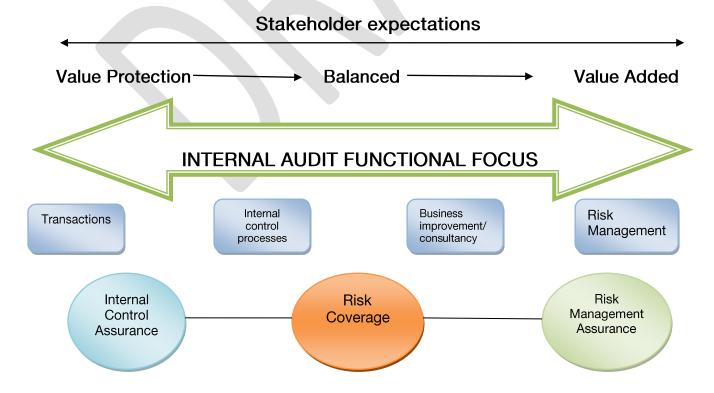
to respond to the increase in reliance		
required to support council operations.		
Business Continuity Planning is critical in maintaining operations of Council services. Covid-19 has highlighted the importance of good planning, which in some areas needs to be reviewed to ensure planning recognises the extended period of time where core council infrastructure may not be available.	Business Continuity Planning	10
avanabio.		
Audits previously identified on the		
audit plan now postposed to 2020/21		
addit plan now postposed to 2020/21		
Sickness Monitoring and Management	Postponed to 2021/22	-10
Review of Human Resources Service	Postponed to 2021/22	-15
Food and Safety inspections (Env Health)	Postponed to 2021/22	-10
Audit Needs Assessment of IT Days	Use of planned days	-45
Income collection (Debtors)	Amended scope	-10
,		
Net change in audit days		0 days
		1

### 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 inhouse Corporate Anti-Fraud Team. A Deputy Head of Audit and Risk Management post has been established and the new post holder started in February 2020. 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.

### Internal Audit Plan 2020/21

Audit Area	Client	Quarter	Days
Corporate/Cross Cutting Risk Audits			
Emergency Payments - Probity Audit	Director of Adult and Health	3	10
Insourcing - Arrangements to bring	Director of Customers, Trans &	2	10
service in-house	Resources		
Scheme of delegation / authorisation	Director of Finance	2	10
Declarations of Interests	Assistant Director - Governance	2	10
Revenue Assurance	Director of Finance	3	15
Business Continuity Planning	Director of Housing,	3	10
	Regeneration & Planning		
Sub-total – Corporate Risk Audits			65
Borough Plan – Priority Risk Audits			
Priority 2 People – a Haringey where s	l strong families, strong networks	and stron	q
communities nurture all residents to I			9
Brokerage - Children's Commissioning	Director of Children's Services	2	10
Special Education Needs (Including EHCP)	Director of Children's Services	2	15
No Recourse to Public Funds	Director of Children's Services	3	10
Foster Care Payments	Director of Children's Services	3	10
Social Care Residential Contract Management	Director of Children's Services	4	10
,			
Sub-total Priority 2.1			55
Priority 2 People – a Haringey where s communities nurture all residents to I	·		g
Homecare - Transition to the London Living Wage	Director of Adult and Health	4	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	Director of Adult and Health	2	10
Triage arrangements  Quality of Care	Director of Adult and Health	4	10
			<del></del> _
Sub-total Priority 2.2			65

Priority 3 Place – A place with strong, people can lead active and healthy live green.		nities whe			
people can lead active and healthy live		nities whe			
people can lead active and healthy live			re		
		people can lead active and healthy lives in an environment that is safe, clean and			
uicell.		o, olouil all	4		
. 1612	Director of Environment &	4	10		
	Neighbourhoods	0			
	Director of Environment &	3	10		
	Neighbourhoods	0			
	Director of Environment & Neighbourhoods	2	10		
	Director of Environment &	2	10		
	Neighbourhoods				
3	Director of Environment &	3	10		
	Neighbourhoods				
0.1.1.15.11.0					
Sub-total Priority 3			50		
Priority 4 Economy – A growing econo	amy which provides apportuniti	os for all a			
		es ioi ali oi	וג		
residents and supports our businesses	s to thrive.				
Client Monitoring of Homes for	Director of Housing,	2	15		
	Regeneration & Planning	_	10		
	Director of Housing,	2-3	25		
	Regeneration & Planning				
	Director of Housing,	3	10		
	Regeneration & Planning				
	Director of Housing,	2	10		
property	Regeneration & Planning				
Health and Safety	Director of Housing,	4	10		
	Regeneration & Planning				
Sub-total Priority 4			70		
Priority 5 Your Council – The way the C	Council works				
0 0,	Director of Customers, Trans & Resources	3	15		
	Director of Customers, Trans &	4	15		
•	Resources	-	13		
	Director of Customers, Trans &	2	10		
5	Resources	_	10		
240300 114.000					
Sub-total Priority 5			40		
3 13					

Audit Area	Client	Quarter	Days
Corporate IT Audits			
Management of Cyber risks	Chief Information Officer	2	15
IT Disaster Recovery Arrangements	Chief Information Officer	3	10
IT Infra structure Resilience	Chief Information Officer	4	10
Corporate IT Audits			45
Contract and Procurement Audit			
Arrangements for Letting Contracts	Director of Environment & Neighbourhoods	4	15
Contract Management of contracts	Director of Environment & Neighbourhoods	2-3	20
Procurement - Arrangement made under Policy Procurement Note	Director of Environment & Neighbourhoods	2	10
Sub-total – Contract Audits			45
Risk Based Audits of Key Financial S	ystems		
Continuous audit of use of Purchase Cards	Director of Customers, Trans & Resources	2-4	10
Accounts Payable	Director of Customers, Trans & Resources	3	10
Teachers' Pensions contributions	Director of Customers, Trans & Resources	3	5
Accounting for Pay and Display Income	Director of Environment & Neighbourhoods	4	10
Management and Use of Contract Waivers	Director of Environment & Neighbourhoods	4	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			85
School Audits Risk Based Programm	 e		
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

Audit Area	Client	Quarter	Days
Ferry Lane Primary	Head Teacher	1	5
Lancasterian Primary	Head Teacher	1	5
Lea Valley Primary	Head Teacher	2	5
North Harringay 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

# Agenda Item 18

Report for: Corporate Committee on 30<sup>th</sup> July 2020

Title: Risk Based Verification (RBV) policy for Housing Benefit and

**Council Tax Reduction claims** 

Report

authorised by: Andy Briggs, Assistant Director for Corporate and Customer

**Services** 

Lead Officer: Helen Hili, Service Manager

Helen.hili@haringey.gov.uk

Ward(s) affected: All

Report for Key/

Non-Key Decision: Non-Key

### 1. Describe the issue under consideration

- 1.1 As part of the Front Office Back Office (FOBO) Transformation Programme, the Council introduced a Risk Based Verification (RBV) policy to assist with the processing of Housing Benefit and Council Tax Reduction claims.
- 1.2 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.
- 1.3 In the normal course of events, there would be a requirement for an annual review of the RBV policy to take place. However, given the impact of Covid-19, the Government has issued advice which suspends the need for a review to take place.
- 1.4 Members views are being sought on whether or not to adopt the Government advice.

### 2. Cabinet Member Introduction

N/A

### 3. Recommendations

Corporate Committee is recommended to:

- 3.1. Note and agree that the Council's RBV policy should continue;
- 3.2. Note and agree the officer view that there is no need to review the RBV policy for the year 2020/21;
- 3.3. Make a Recommendation to Cabinet for it to adopt Recommendations 3.1 and 3.2 above.



### 4. Reasons for decision

- 4.1. To continue to help reduce fraud and error in the processing of Benefit claims by targeting our resources to those claims which provide a higher risk of fraud and error.
- 4.2. To continue to reduce processing times for customers whose claims are at low risk of fraud and error. The software company has confirmed that low risk category claims see improvements in processing times up to an average of 10 days per claim

### 5. Alternative options considered

5.1. For the reasons contained in the report, no other option was considered.

### 6. Background information

- 6.1. The policy was presented to, and agreed at, Corporate Committee on 25<sup>th</sup> July 2019.
- 6.2. Circular HB/CTB S11/2011 states: The policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must be reviewed annually but not changed in-year as this would complicate the audit process.
- 6.3. In light of the impact of Covid-19, further clarifying restricted bulletin advice was issued by the Department for Work and Pensions on 20<sup>th</sup> April 2020, a copy of which is at Appendix A to the report.
- 6.4. Whilst there is a requirement for the Policy to remain in force, there is no longer a requirement for the annual review to take place of the 2020/21 policy, subject to there being no need to make changes which are not Covid-19 based.
- 6.5. Having conducted a review of the policy, officers can confirm that no need to make changes arises.

### 7. Contribution to strategic outcomes

- 7.1. The policy will contribute to Your Council Priority, specifically outcome 20: Using our resources in a sustainable way to prioritise the needs of the most vulnerable residents
  - It will provide value for money by targeting our limited resources to areas where we are most likely to prevent fraud and error.
  - By preventing fraud and error we are protecting the council's finances.
  - It will allow us to process low risk claims much quicker providing a better service to those customers.



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

### Finance - Section 151 Officer comments

Risk Based Verification is a key element of process automation that has contributed to the Customer First Transformation Programme savings for the Benefits Service that were included in the Medium Term Financial Strategy.

In addition, targeting resources to those claims which pose a higher risk helps to mitigate the risk of benefit overpayment and its potentially adverse impact on Housing Subsidy loss.

To minimise the risk of adverse financial consequences RBV performance is monitored monthly and, under normal circumstances, the policy is reviewed annually.

### **Head of Audit & Risk Management**

Effective use of risk management entails focusing and targeting resources to those claims that present higher risk. The verification framework is predicated on the effective identification of risks and the management of claims and sets out how the service will monitor the effectiveness of operations. The internal audit plan for 2020/21 will examine the arrangements put in place and provide assurance over the management of risks in processing benefit claims.

### Legal

The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and makes the following comments.

Paragraph 15 of HB/CTB Circular S11/2011 states that an RBV policy "must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must be reviewed annually but not changed in-year as this would complicate the audit process".

However, on 20<sup>th</sup> April 2020, the Department for Work and Pensions issued further restricted from publication outside of the Council clarifying advice in relation to RBV policies to take account of the impact of Covid-19.

Paragraph 2 of the advice states that "if an LA has a Risk Based Verification (RBV) policy in operation (as detailed in circular HB <u>\$11/2011</u>), then this should continue during the current crisis and claims should be categorised as usual (for example, high, medium or low risk)".

Paragraph 5 of the advice states that "DWP has suspended the requirement for LAs to undertake an annual review of their RBV policy for 2020-21 and, therefore, LAs should not amend the policy specifically to deal with the current crisis. However, should an LA need to make a change to their 2020-21 RBV policy this must be subjected to the usual controls and approvals as outlined in circular HB S11/2011".



It is understood that officers with operational responsibility for devising and administering the policy are of the view that following a review, no changes to the policy are required. Accordingly, there is no legal reason why Members cannot adopt the Recommendations contained in this report.

### **Equality**

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

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- 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 three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The proposed decision is to approve Haringey's Risk Based Verification Policy as the means by which the Council will process claims for Housing Benefit and Council Tax Reduction. There have been no changes to the policy following the suspension of the requirement for Local Authorities to undertake an annual review of the RBV policy for 2020-21. The implementation of the policy has not resulted in any negative impacts for residents who share the protected characteristics and no negative effects are anticipated with the continued implementation. This proposal will lead to applicant waiting times either remaining the same or being reduced. The Equalities Impact Assessment that was carried out to assess potential impacts at the time of the last change to the policy can be accessed here:

https://www.minutes.haringey.gov.uk/documents/s110613/9.2%20DRAFT%20E gIA\_RBV\_final.pdf

### 9. Use of Appendices

Appendix A – Department for Work and Pensions bulletin dated 20<sup>th</sup> April 2020 - EXEMPT

### 10. Local Government (Access to Information) Act 1985

10.1 Appendix A of the report is exempt as it contains information classified as exempt under Schedule 12A of the Local Government Act 1972 (Paragraph 3) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).



# Agenda Item 19

**Report for:** Corporate Committee, 30/07/2020

**Title:** Impact of Covid-19 on Health and Safety functions

Report

authorised by: Christine Addison, Assistant Director for Capital Projects &

Property

**Lead Officer:** Alexis Correa, 020 8489 2928, alexis.correa@haringey.gov.uk.

Ward(s) affected: N/A

Report for Key/

Non Key Decision: Non key Decision

### 1. Describe the issue under consideration

This report provides an update to the Corporate Committee on the impact Covid-19 has had on health and safety functions.

### 2. Cabinet Member Introduction

N/A

### 3. Recommendations

The Committee is asked to note the content of this report.

### 4. Reasons for decision

N/A

### 5. Alternative options considered

N/A

### 6. Background information

### **Building Management**

The management of the Council's operational, commercial and schools estate remains a high priority, particularly during these unprecedented times. Since the insourcing of Facilities Management (FM) from 1st April, with soft FM being delivered by Environment & Neighbourhoods and Hard FM delivered by Homes for Haringey, the Corporate Landlord Team has been working effectively with service providers to ensure that the Council's corporate estate remains a safe and clean place to work for all staff, key workers, children and visitors.

A) Operational / Commercial buildings managed by the Council



Following the Government decision to impose 'Lockdown' on 23rd March, all the libraries, leisure centres and a number of other Council owned buildings were closed. In some cases these buildings were fully closed, while others were closed to the public but with some staff remaining on site. Reactive maintenance to all buildings continued throughout the lockdown period, with the maintenance team and contractors fully operational. Every building is checked at least once a week.

The Covid pandemic coincided with the transfer of FM services back to Council control, with repairs and maintenance now being carried out by Homes for Haringey. The new service is working to address backlog maintenance issues left by Amey, as well as continuing to address scheduled maintenance tasks.

For closed buildings, a weekly cleaning schedule is in place. The cleaning materials have been reviewed to ensure they are effective against Coronavirus. The in-house cleaning team is also able to instigate a "Deep Clean" in the event that it is required.

Security patrolling has been stepped up to ensure protection of buildings. Building Support Officers are working on a rota in the hub buildings that are open. For the hub buildings that are currently closed, a Building Support Officer has been allocated to carry out building checks and to report any defects.

Services are now planning how they will operate in a Covid-secure way, so that service provision can resume wherever possible, to meet the needs of residents. A lot of service provision will continue to be offered remotely, and in most cases this has been very successful, and is safest both for staff and service users. Where services need to re-open buildings to resume face-to-face provision or other on-site activities, corporate support is being provided to ensure this is done safely but also without undue delay. This includes:

- Building compliance and safety checks, especially in buildings that were closed, to be reinstated prior to reopening.
- Building risk assessments carried out, ensuring social distancing measures put in place appropriately to support the service delivery.
- Services' risk assessments are reviewed and individual risk assessments carried out for vulnerable persons, covering age, health vulnerabilities and other factors including ethnicity.
- Emergency procedures reviewed in line with the use of the building and the people inside.

Prior to a service reopening and resuming face to face operations, the approach is reviewed and approved by the Council's Covid Gold team, chaired by the chief executive.

### B) Maintained Schools

The Council is responsible for 51 schools in the borough. Each school has a Site Manager, who is responsible for the day to day management of the school building.



All maintained schools, where the Council is responsible for health and safety as the employer, submitted their Covid-19 risk assessment to the Corporate H&S Team for review and comments, for their wider opening on 8th June. Most of the Children's Centres remain open.

### **Emergency arrangements**

Because most staff are working from home, officers have reviewed fire evacuation arrangements to ensure that sufficient cover is in place for fire wardens to ensure that in the event of a fire alarm activation a safe evacuation could be ensured.

### Health and Safety Team

The H&S Team activated its Business Continuity Plan and has performed its duties with officers working from home. The review of the Council H&S Management System which is being currently undertaken and the revision of schools Covid-19 risk assessment meant a peak in demand, and officers exerted flexibility well beyond their normal working hours.

It is foreseeable that services will require a higher degree of support from the H&S Team during the planning stage to stand down their Business Continuity Plans and early re-commencement of their services.

Planned face to face training and H&S audits have been cancelled. The Council is utilising fully their on-line training courses provider as an alternative provision and will continue with this offer for the foreseeable future. It is planned that H&S audits will recommence in September 2020.

The team has currently an extra resource (agency staff) and will continue to need their services at least until the end of the financial year, where the resource need will be reviewed.

### 7. Contribution to strategic outcomes

The measures outlined in this report support the 2018-2022 Corporate Health and Safety Strategy.

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

### **Finance**

The report to provide an update on the impact Covid-19 has had on health and safety functions.



As part of Business continuity the Health and Safety team had to provide more support and have had an employ interim additional resource into the team at the cost of £65k which has been reported as part of Covid-costs for the current year as a pressure on the Budgets

### **Procurement**

Strategic Procurement are in support this report which provides an update to the Corporate Committee on the impact Covid-19 has had on health and safety functions.

### Legal [Michelle Williams, Principal Lawyer Litigation]

The Assistant Director of Corporate Governance has been consulted in the preparation of this report and comments as follows:

The measures outlined in this report enable the Council to meet its obligations under sections 2, 3 and 4 of the Health and Safety at Work etc Act 1974 to ensure the health and safety of its employees, service users, the public and other non employees.

In accordance with Part Three, Section B, Section 2, paragraph 1(b)(i) of the Council's constitution, the Corporate Committee's terms of reference include the discharge of functions relating to Health and Safety at Work otherwise than in the Council's capacity as employer. This report relates to the Council's employer and wider health and safety responsibilities and therefore falls within the terms of reference of the Corporate Committee.

### **Equality**

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- 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 three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

As set out above, services' risk assessments are reviewed and individual risk assessments carried out for vulnerable persons, covering age, health vulnerabilities (which would include disabilities) and other factors including ethnicity are considered when making a decision about re-opening buildings to



resume face-to-face provision or other on-site activities. This recognises that these groups have been disproportionately impacted by Covid-19.

9. Use of Appendices

None included

10. Local Government (Access to Information) Act 1985

N/A





# Agenda Item 20

**Report for:** 30 July 2020 Corporate Committee

Title: Information Report: Potential Renaming of Black Boy Lane

Report

authorised by: Emma Williamson, Assistant Director for Planning, Building

Standards and Sustainability

**Lead Officer:** Jonathan Unger; Local Land Charges & Property Gazetteer

Manager; x1791 (jonathan.unger@haringey.gov.uk)

Ward(s) affected: St Ann's

Report for Key/

Non Key Decision: N/A

### 1. Describe the issue under consideration

1.1. This report sets out the Council's proposed approach to the potential renaming of Black Boy Lane. The report seeks to inform the Committee of the process and the timetable.

### 2. Cabinet Member Introduction

N/A

#### 3. Recommendations

3.1. To note and endorse the proposed approach to the renaming of Black Boy Lane.

### 4. Reasons for decision

4.1. On 9 June 2020 the Mayor of London <u>announced a Commission for Diversity in the Public Realm</u> to review and improve the diversity across London's public realm to ensure the capital's landmarks suitably reflect London's achievements and diversity:

"The Commission will focus on increasing representation among Black, Asian and Minority Ethnic communities, women, the LGBTQ+ community and disability groups. London is one of the most diverse cities in the world, with more than 300 languages spoken every day, yet statues, plaques and street names largely reflect Victorian Britain – as highlighted by recent Black Lives Matter protests."

4.2. As a result of the Black Lives Matter movement and protests, residents of Haringey have raised concerns that this street name is not appropriate and have called on the council to consider changing the name of the street. This is a response to those requests.



4.3. On 12 June 2020 the Leader of Haringey Council <u>announced a Review of Monuments, Building, Place and Street Names in Haringey</u>:

"If we are to truly demonstrate our commitment and solidarity with the aims of the Black Lives Matter movement, we must seriously address these issues... Street names such as Black Boy Lane may have a more contested history, but we cannot ignore the fact that meaning change over time, and the term Black Boy is now used most commonly as a derogatory name for African heritage men. As a borough, everything we do must be a reflection of our values and to do this we must not shy away from correcting the mistakes of the past. This is why we will be working with our residents, BAME communities and organisations, and experts to understand the history of our street names and other memorials, to understand their true meaning and reflect on whether or not they are appropriate for our society today."

- 4.4. The Council's current <u>Street and Building Naming and Numbering Policy</u> is available on the Council's website and is provided as Appendix 1. The existing process for renaming streets is not currently set up to deal with whole street renaming. It is predominantly set up to deal with:
  - Building and street naming of new developments; and
  - Renaming / renumbering of an individual property or a small number of properties.
- 4.5. Specifically, the policy:
  - States that "Renaming/renumbering of existing buildings and streets is normally only considered when changes occur which give rise (or are likely to give rise) to problems for the occupiers, Post Office or emergency services".
  - Follows London Fire Brigade guidance and conforms to the Data Entry Conventions and British Standards 7666 - which sets out best practice of how streets and properties should be formally addressed.
- 4.6. <u>Corporate Committee on 20 September 2018</u> did consider a report regarding the renaming of Town Hall Approach Road to New Windrush Gardens but this was not taken forward due to the costs involved, as reported at <u>Corporate</u> <u>Committee on 3 December 2018</u>.
- 4.7. Therefore, the proposed approach and process set out in this report is required to fill any gaps in the existing policy on renaming of a street, such as the potential renaming of Black Boy Lane.
- 4.8. GeoPlace (the Statutory body that governs both the street and property (building) name records across England and Wales) is currently looking into publishing guidance on building and street re-naming in response to recent demands. Initial national draft guidance is expected shortly.



4.9. The Greater London Authority may also publish / coordinate some London-wide good practice guidance on building and street re-naming, as part of the Mayor's new Commission.

## 5. Alternative options considered

5.1. This report sets out the proposed approach to the potential renaming of Black Boy Lane. There is the option of only bringing a report to the Committee at the 'notice of intention' / consultation stage of the process. Officers are of the view that a report to the Committee at an earlier stage is preferable as it allows the Committee to have an early appraisal of the process and to have an input.

## 6. Background information

6.1. One of the street names that has been identified as needing immediate review is your road, Black Boy Lane. Meanings change over time, and the term "Black Boy" is now used most commonly as a derogatory name for African heritage men.

## **National Legislation**

6.2. The relevant legislation and Council powers relating to street renaming are set out in section 8 Legal comments.

#### Voluntary payments

- 6.3. Whilst the Council is unlikely to be legally liable to pay compensation to those affected by any street name change the Council considers that it may be appropriate to make a small payment in recognition of potential disruption.
- 6.4. The Council also has a legal duty under the Equality Act 2010 to consider the impacts of a decision on protected groups. Through an Equality Impact Assessment (EqIA) on any decision to rename a street the Council may conclude that to mitigate any negative impacts on protected groups, some form of voluntary payments could be made to those affected, and support provided. If it is proposed at a later date that the Council proceed with a change to the name of Black Boy Lane, this will be subject to an Equality Impact Assessment that will be published alongside relevant committee papers.
- 6.5. The Council acknowledges that residents and businesses will be inconvenienced and may have concerns in having to change addresses. Potential impacts are as follows:
  - Addresses linked with accounts for online shopping etc.
  - Utility companies e.g. internet, telephone, electric, gas, water
  - Bank accounts
  - Mortgages
  - Credit ratings
  - Insurance: home, contents, etc
  - NHS / GP / hospital / pharmacy information



- Tenancy agreements, deposit agreements etc
- Internet shopping / delivery addresses
- Businesses / self-employed Companies House, websites, stationery, business accounts, invoices, contracts
- 6.6. It should be noted that Royal Mail has confirmed that the post code will not change as a result of any street renaming.
- 6.7. The Council will publish more detailed information about any voluntary payments, Frequently Asked Questions (FAQs) and provide a support resource in due course.

## Proposed approach and timescales

- 6.8. The proposed approach to the potential renaming of Black Boy Lane and the approximate timescales are set out below (subject to change):
  - July 2020 Information letter to residents and businesses on Black Boy Lane
  - 30 July 2020 Corporate Committee information report this report
  - September / October 2020 Non-statutory informal consultation on 2x possible street names (which meet the Policy requirements)
  - October / November 2020 informal consultation responses analysed
  - 3 December 2020 Corporate Committee report for decision to undertake the required statutory 'notice of intention' / consultation on the street name change
  - December 2020 / January 2021 At least 1 month statutory 'notice of intention' / consultation
  - January 2021 Consultation responses analysed
  - 4 February 2021 Corporate Committee to consider the outcome of consultation and make a decision to change the street name, with a later effect date to be determined
  - February 2021 Notify residents and businesses of the decision and the effect date
  - Spring 2021 Continued information provided to residents and businesses regarding any voluntary payments, Frequently Asked Questions (FAQs) and a support resource.
  - Spring 2021 Effect date

## 7. Contribution to strategic outcomes

- 7.1. The Borough Plan's Equality Principles state "Haringey Council is committed to the principles of equality of opportunity, fairness and quality of life for all, both in terms of how we work with the community and in our role as an employer".
- 7.2. The Borough Plan's People Priority has a vision for "a Haringey where strong families, strong networks and strong communities nurture all residents to live



well and achieve their potential". The People Priority states we will "tackle the barriers that disproportionately affect the independence, health and wellbeing of some residents, using a social model to tackling disadvantage that looks at the systemic and other barriers that can prevent people from, achieving their potential". The Priority also states "we will work alongside local communities in confronting challenges early and in building cohesive, supportive and connected communities which nurture, project and support all residents".

- 7.3. Outcome 5 of the People Priority is for "Happy childhood: all children across the borough will be happy and healthy as they grow up, feeling safe and secure in their family and in our community". Objective 5d) states "Children will grow up free from violence and fear of violence in the community wherever they live in the borough".
- 7.4. Outcome 8 of the People Priority is for "Strong communities where people look out and care for one another". Objective 8c) "Caring and cohesive communities which can offer support" states we will "Develop multi-agency approaches to tackle and reduce Hate Crime based on a zero tolerance approach: crime targeted at people because of their race, religion, disability, sexual orientation or gender identity".
- 7.5. Outcome 11 of the Place Priority is for "A culturally engaged place" includes objective a/b) to "Foster a strong and diverse cultural offer". It states we will "Celebrate what is distinctive about Haringey so that our residents are inspired to take part in the great culture on their doorstep and attract visitors from across London and beyond to join us".
- 8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

#### **Finance**

- 8.1. The report seeks approval of the proposed approach to the potential renaming of Black Boy Lane. This approach involves residents' consultation to households and businesses
- 8.2. Subject to a positive outcome of this consultation, there will be further cost implication such as cost of replacing street name plates, bus stop changes, voluntary payments etc.
- 8.3. The costs of the consultation will be met from existing budgets and depending on the outcome of this proposal any further costs will need to be quantified and funding sources will need to be identified.

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Pro	CU	rem	nent.

N/A

Legal



- 8.4. The Council has the power to rename streets and roads in the borough. Under Part II Section 6 of the London Building Acts (Amendment) 1939, the Council may by order substitute the name of any street, way, place, row of houses or block of buildings with any name they think fit. The 1939 Act is a Local Act and a local choice function. Under the Council's constitution, the function is a non-executive function allocated to the Corporate Committee.
- 8.5. The Council is required to consult on the proposed change. Before making an order, the Council shall (at their option) either: post notice of their intention in some conspicuous position in the street way or place or adjacent to the row of houses or block of buildings; or give notice of their intention by circular delivered at every building situated in the street way or place or forming part of the row of houses or block of buildings (s.6(2) 1939 Act).
- 8.6. Every notice must state how and when (allowing at least 1 month) objections to the intended order may be sent to the Council (s.6(3) 1939 Act).
- 8.7. The Council must consider any objections before making the order. The Council may amend any name they propose to assign having regard to any objection (s.6(3) 1939 Act).
- 8.8. The proposed approach to the renaming of Black Boy Lane set out in this report meets the statutory requirement.

#### **Equality**

- 8.9. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
  - Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
  - 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.
- 8.10. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.11. The report recommends noting of the proposed approach to the renaming of Black Boy Lane in St Ann's ward. The reasons for the proposed approach to rename the road reflect the Council's commitment to equality, diversity, and inclusion, and arise from an anti-racist social movement. A renaming that results from the proposed approach may be considered a measure to foster a community that shares these values. As such, a renaming may be a step towards fostering good relations within the community between people who



- share the protected characteristic of race and ethnicity and white British residents.
- 8.12. The proposed approach includes extensive consultation. In order to meet the Council's public sector equality duty this consultation will be inclusive of all residents and reasonable adjustments will be made to this end. These may include, but will not be limited to, publication of information in a range of formats, use of multiple channels to gather views of residents, and making translation available on request. Officers will be required to analyse and report consultation responses objectively. If consultation reveals any potential for indirect discrimination based on any of the protected characteristics, the Council will be obliged to consider measures that may prevent or mitigate any such impact.

## **Use of Appendices**

Appendix 1 - Guidelines for street and building naming and numbering

9. Local Government (Access to Information) Act 1985





#### Appendix 1

# Guidelines for street and building naming and numbering

- Naming of buildings and streets
- Numbering of buildings
- Renaming or renumbering of buildings and streets
- Contact

## Naming of buildings and streets

- 1. New street names should not duplicate a name already in use in the borough or neighbouring boroughs. Variations to the terminal word (street, road, avenue etc.) will not be accepted as a different name
- 2. New street names should be of local significance and unsuitable names should be avoided
- 3. Street names should not be difficult to pronounce or awkward to spell. In general, words of more than three syllables should be avoided and this includes the use of two words, except in special cases
- 4. Subsidiary names should only be used in roads of short length for instance a row of buildings on a road already called a 'Terrace'
- 5. Building and street names should not be named after a living person. We only consider naming a building or street for a deceased person if they are of local significance. We may also need to seek permission from the persons estate. In seeking approval for any name, we must still apply the part of the policy that avoids duplicating names
- 6. All new street names should end with one of the following suffixes:

Table: naming of buildings and streets

**Suffix:** Reason for use: Road for any thoroughfare Street for any thoroughfare Way for major roads for residential roads Avenue Drive for residential roads Grove for residential roads Lane for residential roads

Gardens subject to there being no confusion with any local open space Place subject to there being no confusion with any local open space

Crescent for a crescent shaped road

Close for a cul de sac only
Square for a square only

Hill for a hillside road only

Circus for a large roundabout

Mews provided it does not repeat the name of the road from which access is

gained

Vale for residential roads. Only for exceptional circumstances Rise/Row for residential roads. Only for exceptional circumstances Mead/Wharf for residential roads. Only for exceptional circumstances

#### Non acceptable suffixes:

- End
- Court
- Cross
- Side
- View
- Walk
- Park
- Meadow

All of these words can be incorporated in a street name, provided it is terminated with an appropriate suffix (eg: Mile End Road).

- 7. All new pedestrian ways to end in the following suffixes:
  - Walk
  - Path
  - Way
- 8. No building or street name is to start with 'the'.
- 9. All new block names should end in one of the following suffixes:
  - House
  - Court
  - Lodge
  - Apartments
  - Mansions residential only
  - Point High block residential
  - Tower/Heights High block offices or residential.
- 10. For private houses, the name cannot repeat the name of the road or any house or building in the area.
- 11. The use of North, East, South or West (as in Alfred Road South) is only acceptable where the road is continuous and passes over a major junction. It is not acceptable when the road is two separate parts with no vehicular access between the two. In such a case, one half should be completely renamed.

12. Avoid having two phonetically similar names within a postal area and, if possible within a borough, eg Alfred Road and Alfred Close or Church Hill Road and Birch Hill Road.

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## **Numbering of Buildings**

- 1. A new street should be numbered with even numbers on one side and odd numbers on the other, except for a Cul-de-sac where consecutive numbering in a clockwise direction is preferred.
- 2. Private garages and similar buildings used for housing cars should not be numbered.
- 3. The correct numerical sequence will be used for street numbering and no exceptions will be made for any numbers.
- 4. Buildings (including those on corner sites) are numbered according to the street that the main entrance appears on. Any manipulation of numbering to obtain a different address is not acceptable.
- 5. If a building has entrances in more than one street but it is a multi-occupied and each entrance leads to a separate occupier, then each entrance should be numbered in the appropriate road. Exemptions may be made depending on the circumstances, for a house divided into flats.
- 6. A named building may not have more than one number in one street.
- 7. In residential buildings (eg blocks of flats) it is usual to give a street number to each dwelling where the block is up to six storeys in height. When the block exceeds this or where there are not sufficient numbers available because of an existing development, the building should be given a name and number in the street. Within named buildings developers are advised to number flats on each floor in a clockwise direction. If this is not possible consult their local sorting office. When flats are numbered internally, they should be numbered not lettered. (eg Flat 2, 21 Smith Street not Flat A, 21 Smith Street and not 21A Smith Street which might already be used by an adjoining infill building)
- 8. The use of numbers followed by letters is permitted. These are needed, for instance, when one large old house in a road is demolished and replaced by (say) four smaller houses. To include the new houses in the numbering sequence would involve renumbering all the higher numbering houses on that road. If a considerable number of other houses would be affected, then to avoid this, each new house should be given the number of the old house with either A,B,C or D added.
- 9. No use of punctuation except for the abbreviation of St, Saint.
- 10. No numbers are to be used within the name of a building or street.

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## Renaming or Renumbering of Buildings and Streets

Renaming/renumbering existing buildings and streets is normally only considered when changes occur which give rise (or are likely to give rise) to problems for the occupiers, Post Office or emergency services.

Agenda Item 23

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is exempt



Agenda Item 24

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is exempt

