

NOTICE OF MEETING

CORPORATE COMMITTEE

Thursday, 15th July, 2021, 7.00 pm - Woodside Room George Meehan House - Outside Venue.

This meeting will be webcast – view it [here](#)

Members: Councillors Peter Mitchell (Chair), Erdal Dogan (Vice-Chair), Emine Ibrahim, Mark Blake, Dawn Barnes, Patrick Berryman, Mahir Demir, Scott Emery, Joseph Ejiofor, Alessandra Rossetti, Preston Tabois and Kaushika Amin

Quorum: 3

1. FILMING AT MEETINGS

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

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

3. URGENT BUSINESS

The Chair will consider the admission of any late items of urgent business. (late items will be considered under the agenda items where they appear. New items will be dealt with at item 13)

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 - 14)

To consider and agree the minutes of the meeting held on 17th March 2021.

7. UPDATE ON STATEMENT OF ACCOUNTS 2020-21

Verbal Update.

8. TREASURY MANAGEMENT OUTTURN 2020/21 (PAGES 15 - 30)

9. ANNUAL GOVERNANCE STATEMENT 2020/21 (PAGES 31 - 64)

10. ANNUAL INTERNAL AUDIT REPORT 20/21 (PAGES 65 - 102)

11. AUDIT & RISK UPDATE (PAGES 103 - 116)

12. ANNUAL SCHOOLS AUDIT REPORT - 2020/21 (PAGES 117 - 132)

13. ANY OTHER BUSINESS OF AN URGENT NATURE

To consider any items admitted at item 3 above.

14. DATE AND TIME OF NEXT MEETING

23 September 2021

Philip Slawther, Principal Committee Co-ordinator
Tel – 020 8489 2957
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Fiona Alderman
Head of Legal & Governance (Monitoring Officer)
River Park House, 225 High Road, Wood Green, N22 8HQ

Wednesday, 07 July 2021

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MINUTES OF MEETING Corporate Committee HELD ON Wednesday, 17th March, 2021, 19:00

PRESENT:

Councillors: Isidoros Diakides (Chair), Zena Brabazon (Vice-Chair), Dawn Barnes, Patrick Berryman, Dana Carlin, Vincent Carroll, Mahir Demir, Erdal Dogan, Scott Emery, Alessandra Rossetti and Anne Stennett

ALSO ATTENDING: Cllr Hakata

12. 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.

13. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Cllr Liz Morris.

14. URGENT BUSINESS

There were no items of Urgent Business.

15. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

16. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

None.

17. MINUTES

RESOLVED

That the minutes of the meeting held on 4th February were agreed as a correct record.

18. STATEMENT OF FINAL ACCOUNTS 2019-20 & AUDIT COMPLETION REPORT

**Clerk's Note – The Chair agreed to vary the order of the agenda, in order to take the item on the renaming of Black Boy Lane as the last item of the open part of the*

*meeting. The minutes reflect the order of that items were considered rather than the order of items on the published agenda.**

The Committee received a copy of the draft statement of final accounts for 2019-20, along with the audit completion report from BDO and a covering report, as set out in the second dispatch agenda pack at pages 3-252. The item was introduced by Kaycee Ikegwu, Head of Finance and Chief Accountant and Leigh Lloyd Thomas, Partner at BDO LLP the Council's external auditor. At the behest of the Chair, Leigh Lloyd Thomas gave a short verbal overview of the Audit Completion report. The following key points were set out to the Committee:

- a. The Committee were advised that the outstanding issues were below the 1.5% threshold of materiality and so BDO were happy that the accounts were a fair and true reflection, even without concluding the outstanding issues.
- b. The Council was a significant landowner and one of the issues commented on was the under-valuation of a sample of properties by £4.3m. This was likely due to inaccurate information being supplied to the valuer. Schools had also been undervalued by around £26m but most of these had now been corrected. BDO advised that Pendarren needed significant refurbishment. A key area for the Committee to note was identified as inaccurate data being send to the valuer.
- c. Another area for the Committee to note was around bank reconciliations being out and the need to review processes behind this.
- d. The Committee noted that the Council's pension liability moved a lot in the Council's favour following the triennial valuation.
- e. The Committee was advised that there would be a significant hit to the HRA arising from the Thames Water court case brought by Kingston and the consequent requirement for local authorities to reimburse applicable excess water rents and charges to tenants. It was noted that at present the Council had only agreed 6 years' worth of reimbursements and that a further management decision on the amount of money to be set aside was pending.
- f. The MRP holiday was due to run out in 2023, which would result in a £5-6m cost to the Council per year.
- g. Haringey was in an advantageous position compared to some other authorities in relation to not having a lot of commercial property schemes.
- h. BDO advised that it appeared as though they would be able to give a true and fair determination overall. The next stage was for BDO to make adjustments following the responses to queries received from management and then the final statement of accounts would be issued and signed off by the Committee/Chair.

The following arose from the discussion of this agenda item:

- a. The Chair commented that he was satisfied with the position overall but highlighted that there seemed to be a number of long-standing concerns and re-occurring issues that had come up in recent years. The Chair set out that it was important that the authority got on top of these issues going forwards.
- b. In response to a question around the purchase of Alexandra House, BDO advised that it was not unusual for purchases to go through a controlling entity as there were tax advantages in doing so. However, in this instance the vendor applied for planning consent to alter the layout to residential properties, which had increased the value of the property and the Council had found itself in a

- position where it perhaps had to pay over the market value given the problems with River Park House and the Civic Centre. The Council effectively had to write down the £22m paid to the £16m underlying market value of the property.
- c. In response to a follow-up question, BDO advised that it was not within the Council's gift to extend the lease on Alex House, they could ask but the freeholder was under no obligation to agree to do so. If the Council did not purchase the property, there was a risk that when the renewal clause came up in 2021 that the Council could have been without accommodation, given the work being done to other buildings.
 - d. In relation to a question around the valuation of schools, BDO advised that it was difficult to quantify market value for schools as they would never be sold, so the government based the value on the Depreciated Replacement Cost. This was essentially what it would cost to replace the asset. It was noted that this was a notional value, not a real market valuation, that did not impact the revenue budget. It was an accounting measure and a way of applying some economic consideration of the cost to the Council in replacing it, largely based on depreciation costs.
 - e. The Committee queried the Council's involvement in relation to the Laurels and its under-valuation as the lease had been passed to the Bridge Renewal Trust. BDO agreed to pick this up with officers and the valuers outside of the meeting. **(Action: BDO/Kaycee).**
 - f. In response to a question, BDO advised that it was not the auditors' job to make a determination of whether the Council should have bought Alexandra House or not. The auditor considered that authority did everything correctly in terms of looking at the fair value, costing up local office space, looking at cost of temporary office accommodation and so forth. BDO commented that in this context the processes involved in making that decision were reasonable, even though the Council paid what it did.
 - g. The Committee was advised that the Annual Governance Statement was set by the Council and was not a function of the external auditors.
 - h. The Committee raised concerns around non-collection of receivables, given the large numbers involved and with £90m in uncollected debts, as set out in the statement of accounts. The Committee sought clarification around what this related to and whether other local authorities were in the same position. In response, BDO advised that Haringey was in the same position as any other local authority and the figures referred to related to the fact that some of the debts owed to the Council were issued under law rather than under contract and so had to be kept on the books and could not be written off for a period of six years. The Council held a lot of historical debt, some of which was very hard to collect. The example of £29m in outstanding parking debt was put forward. After 60 days and being unable to trace the owner of the vehicle, it was extremely unlikely the Council would receive any payment, but it had to leave the debt on its books for six years before being able to write it off. The same applied to housing benefit payments, where the recipient could no longer be contacted.
 - i. In relation to debts from central government and health authorities, BDO advised that the Council had not provided any expected loss on these, which meant that it expected to get repayment in full, albeit it may take time. It was

noted that central government did not allow local authorities to provide for non-collection of this and write the debt down.

The Chair invited the Head of Finance and Chief Accountant to address the Committee in response to the comments of the external auditor, noting the ongoing issues around valuations, conciliations and MRP etcetera. The Head of Finance and Chief Accountant acknowledged that there were a number of errors that had been highlighted through the audit process, which had now been corrected and would be reflected in the final statement of accounts. In relation to the issues highlighted in the external audit report, management set out their responses to many of these issues at page 60 of the report. Issues identified around cash conciliations, were a legacy issue that had existed for many years but there were improvements in being made in clearing these. Many of the concerns highlighted in the report had been taken on board, and management would be working with BDO and partners on how best to take these issues forward for the 2020-2021 audit process to ensure that they did not reoccur.

The following arose as part of the further discussion of this agenda item:

- j. The Committee sought clarification around Thames Water overcharging and whether the Council could be liable if a tenant was evicted for being in debt due to the additional charges that were deemed unlawful. In response, the Legal Advisor to the Committee assured members that officers were looking into how to deal with the issue and the best approach going forwards. However, it was suggested that it was probably inappropriate to say anything further at this stage given that this was a meeting held in public.
- k. The Committee sought further assurances from officers around the errors that were highlighted in the BDO report and what was being done to ensure that they did not happen again. In response, officers advised that at the end of every audit there was a list of issues that was compiled, and these were factored into the process going forward. In relation to the issue of PPE valuations, officers set out that the valuations were carried out by an external partner, WHE, and that there was always an element of subjectivity in determining something's value. Officers had met with the valuers and BDO earlier in the week on how to take the valuation issues that had been highlighted forward and to set clear expectations for the process of compiling next year's statement of accounts.
- l. The Chair advised that overall, he was pleased with the level of progress that was being made to deal with some of the underlying problems that had occurred over the last number of years. The Committee agreed to consider the establishment of an initial working group, with a view to setting up a subsequent formal sub-committee, to monitor the underlying issues that had been identified in relation to the process of compiling the statement of accounts and to ensure that these issues did not reoccur in future years.
- m. Cllrs Brabazon, Dogan, Carlin, Stennett and Berryman agreed to be part of the proposed working group. Cllr Barnes and Cllr Rossetti agreed to nominate a suitable representative from the Liberal Democrats. **(Action: Chair/Clerk to note).**

RESOLVED

- I. That the Committee considered the contents of this report and any further oral updates given at the meeting by BDO LLP.
- II. That the Committee approved the Statement of Accounts 2019/20, subject to any final changes required by the conclusion of the audit, being delegated to the Chief Financial Officer in consultation with the Chair.
- III. That the Committee agreed giving the Chair of the Committee and Chief Finance Officer (S151 Officer) authority to sign the letter of representation to the Auditor.
- IV. That the committee noted the Audit Findings Report of the auditors, BDO LLP, and approved the management responses in the BDO LLP action plan contained within that report.
- V. That the Committee agreed to consider the establishment of a working group to monitor the underlying issues highlighted in the BDO audit completion report and ongoing issues which had been highlighted from compiling the Statement of Accounts, more generally.

19. QUARTER 3 TREASURY MANAGEMENT UPDATE

The Committee received a report for information which provided an update on the Council's treasury management activities and performance in the three months to 31st December 2020. The report was introduced by Tim Mpofu, Head of Pensions & Treasury as set out in the agenda pack at pages 89-102. The Committee was advised that all treasury management activities in the period were undertaken in line with the approved treasury management strategy and that there were no issues of concern to highlight to Members.

The Committee requested that future updates included information on the percentage of debts that were held in long term fixed rate investments. The Committee commented that they would like the Council to continue to be cautious and that some consideration should be given to linking investment terms to long term capital projects. **(To note - Tim Mpofu).**

RESOLVED

That Corporate Committee

- I. Noted the Treasury Management activity undertaken during the three months to 31st December 2020; and the performance achieved which is attached as Appendix 1 to this report;
- II. noted that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

20. ANNUAL INTERNAL AUDIT PLAN, STRATEGY AND CHARTER 2021/22

The Committee received a cover report along with the Annual Internal Audit Plan and Strategy 2021/22 and the Internal Audit Charter, for the Committee's approval. The report and Internal Audit Plan, Strategy & Charter were introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 103-124. The following arose during the discussion of this agenda item:

- a. The Chair commented that although the Audit plan was a management tool used to identify areas of weakness in the organisations' governance structures, there was a limited capacity for Members to influence the contents of this plans and that Members should feel able to suggest areas for inclusion.
- b. The Committee sought assurances around an audit of early years commissioning, that had been discussed at an earlier meeting, given the complexity of arrangements and the risks to provision in this area. In response, officers advised that the audit was already underway as part of the current year's audit plan and that an audit report would be brought to the July Corporate Committee. **(Action: Minesh).**
- c. In response to a question around areas of overlap in Scrutiny and the audit functions and how these could be support each other, officers advised that there was a clear distinction in the roles of scrutiny and audit. Audit looked at processes and whether those processes have adequately mitigated the risk involved but did not interfere with the decisions made by the executive. Whereas scrutiny examined areas of policy and the decisions that are made.
- d. The Committee sought assurances around how audits were prioritised and what the process was for determining which order they were carried out in. In response, officers advised that the audit plan in front of members was the prioritised list for audits and the next stage was to plan those audits in over the next four quarters of the year. In carrying out the audit work officers had to have some recognition for what was happening in those services on the ground and to prioritise with this consideration in mind.
- e. The Chair requested that in relation to the phasing of audit work, that the plan should also include the terms of reference for each of the audits being undertaken. In response, the Head of Audit and Risk Management advised that he would circulate details of when audits would be taken forward in the plan but cautioned that the auditors had to carry out their work with regard to the public sector duties on audit standards, which included objectivity and independence as a key component. The Committee was advised that it was important that Members should not be determining what the auditors should be looking at within individual auditable areas as this should be free from political influence. The Chair acknowledged these concerns but also highlighted the need for transparency.
- f. The Committee questioned how long services were afforded to implement changes in response to audits. In response, officers advised that this was based on the nature of the recommendations and the priority of the recommendations. Higher Priority recommendations should be actioned sooner due to the inherent risk. In practice, a reasonable timescale was agreed with management based on the above two factors.

- g. In relation to a question around what happened to items on the plan that were not completed by year end, officers acknowledge that there would be some items that were not completed by year end due to the auditors starting late. Officers would bring a report to the July committee that set out the annual statement of audits. **(Action: Minesh Jani)**.
- h. The Committee queried whether the audit of performance management would be looking at performance across whole organisation, including senior officers. Officers responded that the audit was planned in recognition that Covid was likely to have a significant impact upon what was delivered and how it was delivered. The aim of the audit was to look at the new basket of performance indicators to make sure the organisation was set up to achieve what we it wanted to achieve and that these indicators were properly captured.
- i. In summary, the Chair noted that a detailed update of the audit plan with phasing would be circulated to the Committee in due course and that he would like a further discussion to take place around scope of audits.

RESOLVED

That the Corporate Committee reviewed and approved the updated Annual Internal Audit Strategy and Plan for 2021/22, attached at Appendix A of the report and the Internal Audit Charter, attached at Appendix B.

21. AUDIT & RISK SERVICE UPDATE

The Committee received a report which detailed the work reported by in-house audit resources, as well as Mazars since the end of quarter 3, which was reported to the Committee in February. The update also included information regarding the National Fraud Initiative. The report was introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 125-139.

Officers summarised the background and findings of the fact finding reviewing of the opportunity to purchase Alexandra House. It was noted that the purpose of the review was to examine the governance arrangements behind the decision, rather than the decision itself or to provide any assessment of its value. The findings of the audit were that there was no evidence of irregularity, but that the governance arrangements were weak and that this resulted in decisions being taken in an ad-hoc manner. The Committee was also advised that the audit found that there was a lack evidence around a robust business case being in place and that the organisation was not collectively appraised of the decision making process.

The following arose during the discussion of this agenda item:

- a. The Committee queried whether, following this report, audit could also look into the period of time between May 2019 and March 2020 with a view to understanding why the Council changed its mind within a year and decided to purchase it after all, resulting in an additional £6m cost. A key area of investigation should be around what happened after this change of direction.
- b. The Committee also queried whether a small chronology of events could be supplied as well. In particular, the Committee was keen to understand whether

the developer received Planning Permission or just submitted a planning application and when this took place. In response, officers advised that they would go away and double check the planning status. The Chair also sought clarification around whether the developer had bought the building or just exercised an option to buy. The Head of Audit and Risk Management advised that these were outside the terms of the audit and that he would ask the service to come back to Committee with a response. **(Action: Minesh Jani).**

**Clerk's note - application HGY/2019/2826 for 219 residential units was refused; a subsequent application HGY/2020/0225 for 171 units was subsequently withdrawn*.*

- c. The Committee sought clarification around there being no political involvement in the decision-making process and whether the Cabinet Member was aware of the May 2019 decision, for instance. In response, officers clarified that one of the key findings was that, even before Members would have been asked to consider this, there should have been a robust business case drawn up. This was characterised as the root of the problem, even before any decision making was arrived at.
- d. The Committee commented that in light of this perhaps the follow-up audit should be around whether there was a robust business case in place for the subsequent decision to purchase the property.
- e. The Chair sought clarification as to whether it was a fact that there was no political knowledge of the decision being taken not to purchase Alex House, or whether it was just that the auditors couldn't find any evidence of it. The Chair speculated that the Strategic Property Board must have been informed of the decision. Officers responded that this was a significant decision with significant financial ramifications and that it should have been considered by a number of key decision-making boards. However, what the auditors found was that there was no record of the decision not to acquire the property in the minutes of any of these boards. Therefore, there was no record through the formal channels in which decisions are recorded.
- f. The Chair thanked officers for the report and commented that there were outstanding concerns and limitations to the audit, in that it stopped short of looking into why the decision was taken not to purchase and there was no definitive analysis of who authorised that decision. There were also concerns around how the Council ended up paying significantly more for it following the original decision not to purchase. The Committee agreed that they would like to see a follow-up audit around Alexandra House, looking at the decisions taken in relation to the subsequent decision to purchase the property at an additional cost. **(Action: Minesh Jani).**
- g. The Chair agreed to email the Head of Audit and Risk Management with specific areas of concern for the Head of Audit and Risk Management to consider as part of a follow-up audit. The Chair acknowledged that, ultimately, it would be up to the Head of Audit and Risk Management to determine the terms of reference for any subsequent follow-up audit. **(Chair).**

RESOLVED

That the Corporate Committee noted the activities of the team.

22. RENAMING OF BLACK BOY LANE TO LA ROSE LANE

The Committee received a report which sought approval for the change of street name from Black Boy Lane to La Rose Lane, following a second consultation exercise with residents and the issuance of a 'notice of intention' for the change of name. At its meeting on the 3rd December, the Committee agreed to move to a period of further consultation following the initial consultation exercise, carried out 28th September to 9th November 2020 which set out two alternative possible street names, and the selection of 'La Rose Lane' as the intended new name of the street. The report was introduced by Rob Krzyszowski, Interim Assistant Director for Planning, Building Standards and Sustainability as set out in the agenda pack at pages 9-88.

The following arose during the discussion of the report:

- a. The report set out examples of other relevant street & building renaming proposals, including those at Ealing and Brent. It was noted that there were no similar examples where the scheme involved consultation on such a large scale and where the authority had agreed to cover costs up to £300 per household.
- b. As part of the second round of consultation, letters were sent out and those letters were available in 12 languages, notices were displayed on the street and responses were accepted through a variety of digital and non-digital mediums. An online resident engagement event was also held on 23rd January 2021.
- c. Officers set out that most of the costs incurred from the name change were notional costs and would be met from existing budgets.
- d. The Chair noted the legal advice provided as part of the report and cautioned the Committee had already agreed the approach and timelines previously. The focus of the decision before the Committee was to consider responses to the statutory consultation and to agree the change of name and to comment on the financial package offered etcetera.
- e. The Committee queried whether the £300 offered per household was sufficient, particularly in relation to changes to leases and solicitor costs. In response, officers advised that the £300 should be viewed within the context of the wider support package and the fact that one-to-one legal support, to help with changing of documents, would also be made available to affected residents. Consultation responses on this issue was mixed, with some people saying that £300 was too low and others suggesting that it was more than sufficient to cover costs. Officers advised that they were satisfied that the package as a whole was sufficient to meet the needs of affected residents.
- f. The Committee enquired as to whether there would be any additional funding made available for those affected. Officers responded that after consideration of the Committee's previous comments, consideration had been given to means testing contributions but that the proposal was to stick with a flat rate and that proposals did not include provision of any additional costs above £300. Officers conceded that this could be reviewed going forwards, if it was not working and that the Council would always look to support its residents where it could.
- g. The Committee commented that the alternative examples of other name changing schemes set out in the report were not directly comparable as both had a majority of respondents in favour of the name change and involved a low number of households affected. The Committee noted that the proposed scheme involved a high number of residents and, of responses received from

Black Boy Lane residents, around 71% were against the change. The Committee commented that the legal advice was that the responses of the residents of the affected street had to be prioritised. In response, officers advised that the full legal advice was set out in the report and that this set out that any objections to consultation needed to be taken in to account. Officers also highlighted that the Council also had to give due consideration to the equalities impacts including the need to foster community cohesion.

- h. Officers also directed the Committee to Paragraph 6.3 of the report, which showed that there was a 36% turnout from residents of the street, with 48 objections from Black Boy Lane (compared to approximately 183 properties on the street). Officers noted that the remaining households (64%) had all been included in the consultation but had not responded.
- i. The Committee also expressed concerns about undertaking a consultation during a lockdown and the disproportionate impact this could have on those who didn't have access to IT. The Committee stressed the importance of the consultation being open and fair and suggested that with the easing of lockdown, there was an opportunity for officers to knock on doors and speak to people in person. The Committee sought clarification on exactly how many properties were counted and whether the residents on Lincoln Mews were consulted. The Committee also sought assurance whether HMOs had been properly considered and what constituted a 'household'.
- j. In response, officers set out that two consultations had been undertaken as part of this scheme and the legal requirement was only for one. The first consultation was conducted in the autumn when there were fewer restrictions in place. Officers advised that multiple letters had been sent out to residents, starting in July, and that these letters included non-digital methods of responding to the consultation. Contact addresses were supplied with each of these letters for residents to get in touch with the Council on this issue and the Council had received feedback by post.
- k. Officers advised that the number of addresses on the street was defined as per the street gazetteer, which was the national database maintained by the Council. This was 183. There were 13 HMO properties and 51 separate households, these figures were built into the financial modelling in the report. Officers confirmed that Lincoln Mews were not formally sent letters as part of the consultation but that there were street notices published on the adjoining Black Boy Lane. Any responses from the residents of Lincoln Mews were considered as part of the consultation process.
- l. The Committee commented that they were concerned about how democratic the process was and that the residents who lived on Black Boy Lane would be most affected and so their views should be prioritised. Previously, the administration had looked into changing the name of Town Hall Approach to New Windrush Gardens and only the 52 residents and business on that street were consulted. Ultimately this was cancelled because of costs of around £21k it was suggested that there seemed to be a lack of consistency around those who were consulted and the what was deemed to be an acceptable cost.
- m. Officers responded that the legal position was that the statutory consultation was either done through letters to addresses on the street with a notice or notices be published in and around the street for the attention of those walking down the street. Officers advised that the Council did both of these and more, as part of its consultation process. Responses taken from people who saw the

- notices whilst walking down the street were a legitimate part of the consultation responses. A lot of consultation responses had been received by residents of the borough who said that they were negatively impacted by the racist/offensive undertones of the existing street name.
- n. Officers advised that in the example of renaming Town Hall Approach, this was not directly comparable as the existing name did not have a negative impact on some people within the community. In relation to the cost, officers emphasised that the costs would be met from existing budgets and that there was no cost threshold to consider, as such, when determining whether to undertake a change of street name.
 - o. The Committee also commented that Cabinet had previously agreed to provide a policy on renaming streets and places. It was suggested that this policy should be in place before any renaming exercises took place. Officers responded that there was existing guidance around street naming and that this proposal had been considered in light of that guidance as well having consulted with the London Fire Brigade and their renaming procedures.
 - p. Committee members acknowledged the need to change the street name and commented that they agreed that people found the current name offensive. However, the Committee raised concerns about the use of a flat rate of £300 to reimburse affected households and highlighted the fact that the Committee raised this issue previously at its meeting on 3rd December. It was suggested that rather than means testing, all that was needed was to provide additional assurances that any additional costs would be met by the Council. It was suggested that the Council seemed to have gone about the process in the wrong manner and that residents needed to be properly engaged with in order to bring them along with the decision.
 - q. In response, officers assured the Committee that they had looked into this issue following the Committee meeting on 3rd December. The report included a much more detailed analysis of the costs that people may incur, as set out in paragraph 6.8. The vast majority of the changes that may occur either involved little or no cost, or the Council would be able to make the required changes themselves, as the public body that maintained the property gazetteer. The areas where residents may incur costs, as set out in the report, included issues highlighted by residents, as part of this consultation process and this demonstrated that the Council had listened to their concerns.
 - r. The Committee questioned why the Council didn't just agree to cover any legal costs incurred by residents. In response, officers advised that part of the wider support package included legal support and that the Council would review the costs going forward if it turned out that the £300 was insufficient.
 - s. The Committee set out that there needed to be a policy in place, which was being followed rather than going forward on a discretionary basis. It was suggested that the Council needed to ensure that no residents would be out of pocket as result of this name change and that a better job should have been done of communicating this to residents. In response, it was noted that the report set out that many of the expected changes would not incur costs, including changes to wills and leases. The Committee reiterated that the Council should have just made a firm commitment that it would pay any additional costs that were incurred by residents and businesses.
 - t. In light of concerns around the potential for there to be a Judicial Review, the Committee questioned whether the existing guidelines should be changed to

omit the current stipulation that changes would only usually be permitted when they gave concern to the occupants of that location. In response, the Committee was assured that officers felt that the risks of a Judicial Review were very low, that the guidance had been fully considered and that the Council had met all of the relevant legal requirements in bringing this decision to the Committee.

- u. A Councillor, who was not a Member of the Committee, addressed Corporate Committee and raised concerns about the timing of the whole process. In particular, it was queried why the consultation was done during the pandemic, given that residents would have other things to worry about. It was also commented that the threshold of how many people were in favour of the decision was important to residents, as was a perception that the consultation process was fair, and that the Council needed to take the objections of residents into account. The Committee also heard that it was important that the views of the George Padmore Institute were taken into account.

Clerk's note: 21:50 hours – As per Committee Standing Order 63, the Chair agreed to suspend CSO 18, and that the Committee would continue past the 10pm cut-off point.

- v. The Committee specifically queried whether the Council could provide a solicitor to residents to make any required legal changes. In response, officers commented that they were open minded about how this support would be done. It was suggested that the initial thought was to provide one-to-one support in a manner redolent of the Citizens Advice Bureau. Officers agreed that they would bottom out this proposal and take it forward if the Committee was minded to agree to the change.
- w. In response to concerns around the number of responses to the consultation, officers advised that 742 responses from across the borough was quite a good return rate for a consultation of this nature. By way of context, it was noted that the latest borough wide Local Plan consultation received around 1000 responses.
- x. Some members of the Committee commented that that they were deeply uncomfortable with the existing name and that they were assured that the Council had done everything it practicably could to mitigate the impact of a name change. In response, the Chair set out that the whole committee felt that changing the name was an appropriate thing to do but that there were concerns over the timing of it and the nature of the consultation.
- y. The Legal Advisor on the proposal assured Members that the consultation had been fair and reasonable and that the statutory process for the consultation had been adhered to, and in fact the Council had exceeded the statutory requirements.

Clerk's note: 22:10-22:14 - The meeting was briefly adjourned as the Chair's internet connection cut out.

- z. Committee members commented that if it wasn't for the fact that the majority of responses from residents on the street had responded against the change in the consultation then the Committee would have approved the proposal. A number of Committee members felt that additional consultation should be undertaken and that, as part of the communications materials involved, the Council should make it expressly clear that it would offer a solicitor to assist residents and would meet all reasonable legal costs.

- aa. Other members of the Committee commented that it was important that a decision was made that evening and that any delays would be tantamount to 'kicking into the long grass', especially as there were no guarantees that the pandemic would not necessitate further periods of lockdown.
- bb. The Legal Advisor reiterated that that statute clearly set out what the consultation requirements were and the expectation was that the Committee would adhere to these requirements, rather than creating their own requirements.
- cc. Cllr Brabazon proposed an amendment to the recommendation to the making of an Order under the London Building Acts (Amendment) Act 1939 Section 6(1) to rename Black Boy Lane to La Rose Lane to take effect on 1 October 2021. The amendment was that this should be delayed and that a further period of consultation be carried out with residents on a face-to-face basis with the aim of seeking the support of the residents of Black Boy Lane and providing those residents with additional assurances to their concerns, including improving the support package on offer where necessary. The amendment was seconded by Cllr Carroll.
- dd. A recorded vote was taken. Cllrs Brabazon, Berryman, Carroll and Rossetti voted in favour of the amendment. Cllrs Stennett, Emery, Demir and Barnes voted against the amendment. Cllrs Diakides, Dogan and Carlin abstained. The Chair used his casting vote in favour of the amendment. The amendment was therefore passed by five votes to four.

RESOLVED

The Committee:

- I. Considered the feedback from the Consultation #2 (Statutory) 'Notice of Intention' on the renaming of Black Boy Lane to La Rose Lane, in particular, the objections from residents and organisations directly affected by the proposed renaming;
- II. Considered and took into account the Equalities Impact Assessment (EqiA, Appendix 6 of the report) of the proposed change on protected groups and the actions proposed to mitigate the impact including a commitment to provide support, a dedicated staff resource and resident/organisation payments; and
- III. Rejected the making of an Order under the London Building Acts (Amendment) Act 1939 Section 6(1) to rename Black Boy Lane to La Rose Lane to take effect on 1 October 2021 and requested that a further period of consultation should be carried out in order to provide further assurances to residents of Black Boy Lane and elicit their support for the change of street name. The Committee also requested that the support package offered to the residents be reviewed as part of the further consultation work.

23. NEW ITEMS OF URGENT BUSINESS

N/A

24. ANY OTHER BUSINESS OF AN URGENT NATURE

None.

25. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting due to item 26 containing exempt information as defined in paragraph 3, Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985).

26. AUDIT OF CYBER SECURITY UPDATE

The Committee noted that a follow-up audit would be conducted over the summer and that the report would come to the Committee in September 2021. **(Action: Minesh).**

RESOLVED

The Committee noted the update.

27. DATE AND TIME OF NEXT MEETING

TBA

CHAIR: Councillor Isidoros Diakides

Signed by Chair

Date

Report for: Corporate Committee 15 July 2021

Title: Treasury Management Outturn 2020/21

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions & Treasury
tim.mpofu@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 Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) requires the Council to approve reports 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 2020/21 was approved by Full Council on 24 February 2020.
- 1.3. This report provides an update to the Committee on the Council's treasury management activities and performance in the year to 31st March 2021 in accordance with the CIPFA Treasury Management Code of Practice.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

The Corporate Committee is requested:

- 3.1. To note the Treasury Management activity undertaken during the year to 31st March 2021; and the performance achieved which is attached as Appendix 1 to this report.
- 3.2. To 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 Treasury Management in Public Services: Code of Practice (the CIPFA 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 CIPFA Code recommends that members are informed of treasury management activities at least twice a year. Formulation of treasury policy, strategy and activity is delegated to the Corporate Committee and this Committee receives reports quarterly.

6.3. However, overall responsibility for treasury management remains with Full Council and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2020/21 on 24 February 2020. The Corporate Committee is responsible for monitoring treasury management activity and this is achieved through the receipt of quarterly/annual reports.

6.4. Government guidance on local authority treasury management states that local authorities should consider the following factors in the order they are stated:

Security - Liquidity - Yield

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 contained within the body of the 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 2020/21

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Appendix 1 – Treasury Management Outturn Report 2020/21

1. Introduction

- 1.1. 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.
- 1.2. The Authority's treasury management strategy for 2020/21 was approved at a full Council meeting on 24 February 2020. 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.
- 1.3. 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.
- 1.4. 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 24 February 2020.

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

Economic background

- 2.1. The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut its Bank Rate to 0.10% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.
- 2.2. The Bank of England (BoE) held the Bank Rate at 0.10% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year.
- 2.3. Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March 2021. A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

- 2.4. Government initiatives supported the economy, and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have helped protect more than 11 million jobs.
- 2.5. Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.
- 2.6. Inflation has remained low over the 12-month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year over year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year over year (1.0% expected). Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.
- 2.7. After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46th US president after defeating Donald Trump.
- 2.8. The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

Financial Markets

- 2.9. Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.
- 2.10. Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.
- 2.11. The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

- 2.12. The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%). German bund yields continue to remain negative across most maturities.

Credit Review

- 2.13. After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks.
- 2.14. Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P revised Barclay's outlook to stable (from negative).
- 2.15. The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

3. Local Context

- 3.1. On 31st March 2021, the Authority had net borrowing of £555.9m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

Type of Liability	31.03.20 Actual £m	31.03.21 Actual** £m
General Fund CFR	449.2	505.5
HRA CFR	274.3	332.3
Total CFR **	723.5	837.8
Less: *Other debt liabilities	(28.2)	(28.2)
Borrowing CFR – comprised of:	695.3	809.6
- External borrowing	531.7	555.9
- Internal borrowing	163.6	253.7

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

** subject to audit

- 3.2. Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Authority continued to pursue its long-standing strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk.
- 3.3. The treasury management position on 31st March 2021 and the change over the year is shown in Table 2 below.

Table 2: Treasury Management Summary

Type of Borrowing / Investment	31.03.20 Balance (£m)	Movement (£m)	31.3.21 Balance (£m)	31.3.21 Rate (%)
Long-term borrowing	506.7	(9.8)	496.9	3.26
Short-term borrowing	25.0	34.0	59.0	0.18
Total borrowing	531.7	24.2	555.9	2.93
Long-term investments	0.0	0.0	0.0	0.0
Short-term investments	15.0	(10.0)	5.0	1.00
Cash and cash equivalents	77.3	(65.3)	12.0	-0.02
Total investments	92.3	(75.3)	17.0	0.28
Net borrowing	439.4	99.5	538.9	

4. Borrowing Update

- 4.1. In November 2020, the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years.
- 4.2. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.
- 4.3. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.
- 4.4. The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

Municipal Bonds Agency (MBA)

- 4.5. The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The

agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020, in both instances Lancashire County Council is the sole borrower and guarantor.

- 4.6. If the Authority were to consider future borrowing through the MBA, it would first ensure that it had thoroughly scrutinised the legal terms and conditions of the arrangement and taken proper advice on these.

UK Infrastructure Bank

- 4.7. In his March 2021 budget, the Chancellor confirmed that a UK Infrastructure Bank will be set up with £4bn in lending earmarked for local authorities from the summer of 2021. Loans will be available at gilt yield plus 0.60%, 0.20% lower than the PWLB certainty rate. A bidding process to access these loans is likely with a preference to projects likely to help the government meet its Net Zero emissions target. However other “high value and complex economic infrastructure projects” may also be considered.

Borrowing strategy during the period

- 4.8. At 31st March 2021, the Authority held £555.9m of loans, an increase of £24.2m compared to 31st March 2020), as part of its strategy for funding previous and current years’ capital programmes. Outstanding loans on 31st March 2021 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.03.20 Balance £m	Net Movement £m	31.03.21 Balance £m	31.03.21 Weighted Average Rate %	31.03.21 Weighted Average Maturity (years)
Public Works Loan Board	381.7	(9.8)	371.9	2.77	27.47
Banks (LOBO)	125.0	0.0	125.0	4.72	39.19
Local authorities (short-term)	25.0	34.0	59.0	0.18	0.67
Total borrowing	531.7	24.2	555.9	2.93	27.26

- 4.9. 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.
- 4.10. In keeping with these objectives, no new long-term borrowing was undertaken, while £9.8m of existing loans were allowed to mature without replacement. This strategy enabled the Authority to reduce net borrowing costs and reduce overall treasury risk.
- 4.11. With short-term interest rates remaining much lower than long-term rates and temporary investments earning Bank Rate or lower, the Authority considered it to be more cost effective in the near term to use internal resources or short-term loans instead. The net movement in temporary / short-term loans is shown in Table 3 above.
- 4.12. The Authority has a significant capital programme which extends into the foreseeable future. A large proportion of this will be financed by borrowing, which the Authority will have to undertake in coming years. The Authority’s treasury advisor, Arlingclose undertakes a weekly ‘cost of carry’ analysis which informs the Authority on whether it is

financially beneficial to undertake borrowing now or delay this for set time periods based on PWLB interest rate forecasts.

- 4.13. Any borrowing which is taken prior to capital expenditure taking place, and reducing the extent of the Authority's internal borrowing, would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing, creating an immediate cost for revenue budgets. The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing is maintained.

LOBO Loans

- 4.14. 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 at 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.

5. Treasury Investment Activity

- 5.1. The Authority received central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. The funds received were temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds and disbursed by the end of December 2020.
- 5.2. 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 £17.0 and £166.6 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

Investments	31.03.20 Balance £m	Net Movement £m	31.03.21 Balance £m	31.03.21 Rate of Return %	31.03.21 Weighted Average Maturity (Days)
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00	
Money Market Funds	0.0	0.0	0.0	0.00	
UK Government:					
- Local Authorities	15.0	(10.0)	5.0	1.00	26
- Debt Management Office	77.3	(65.3)	12.0	-0.02	1
Total investments	92.3	(75.3)	17.0	0.28	8

- 5.3. 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.
- 5.4. Continued downward pressure on short-dated cash rate brought net returns on money market funds (MMFs) close to zero even after some managers had temporarily lowered

their fees. At this stage, although close to nil, negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain slight positive net yields, but the possibility of negative rates cannot be ruled out.

- 5.5. Deposit rates with the Debt Management Office (DMO) have continued to fall and are now largely around zero.
- 5.6. The return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.10% in March, are now at or very close to zero. In many instances, the fund management companies have temporarily lowered or waived fees to avoid negative net returns.
- 5.7. 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
31.03.2020	3.40	AA	0%	56	0.23%
31.03.2021	3.91	AA-	0%	8	0.28%
Similar Local Authorities	4.78	A+	69%	33	0.21%
All Local Authorities	4.63	A+	63%	14	0.15%

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

Non-Treasury Investments

- 5.8. 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 the Ministry of Housing, Communities and Local Government (MHCLG) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 5.9. The Authority 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 transactions are often treated as capital expenditure and included within the Authority's capital programme. The main risk when making service loans is that the borrower may be unable to repay the principal lent and/or the interest due. To limit this risk, it will be ensured that any new loans made will remain proportionate to the size of the Authority.
- 5.10. The Authority also hold properties which are classified as 'investment properties' in the Authority's Statement of Accounts. These properties which 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 Authority's annual budget, therefore contributing to the resources available to the Authority to spend on local public services.

5.11. The balances of non-treasury investments as at 31st March 2021 were as follows:

Table 6: Non-treasury investment balances

Non-Treasury Investments	31.03.21 Balance £m	Loss Allowance £m	31.03.21 Balance £m	Weighted Average Rate of Return %	Net Total Revenue £m
Subsidiaries	17.5	0.0	17.5	0.00	0.0
Local Businesses	2.1	(0.7)	1.4	5.20	0.1
Local Charities	49.3	(43.5)	5.8	3.00	0.2
Local Residents	0.1	0.0	0.1	4.00	0.0
Employees	0.0	0.0	0.0	0.00	0.0
Commercial Properties*	88.6	0.0	88.6		
Total investments	157.6	(44.2)	113.4		0.3

*corporate finance are assessing the full impact of the commercial properties revenue in 20/21

5.12. 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.

5.13. 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.

5.14. 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 Authority's capital programme, further details of which are in the Authority's annual medium term financial strategy.

Treasury Performance

5.15. Treasury investments generated an average rate of return of 0.44% in the year. The Authority's treasury investment income for the year was £498k against a budget of £137k.

5.16. Borrowing costs for 2020/21 were £16.8m (£10.7m HRA, £6.1m General Fund) against a budget of £21.4m (£16.4m HRA, £5.0m General Fund).

5.17. Investment income in the Authority's 2020/21 budget was set against a very different economic backdrop. Bank Rate, which was 0.75% until February 2020, now stands at 0.10%. In light of these changes, interest earned from short-dated money market investments has been significantly lower.

6. Compliance

- 6.1. 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.
- 6.2. Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 7 below.

Table 7: Debt Limits

	31.03.21 Actual £m	2020/21 Operational Boundary £m	2020/21 Authorised Limit £m	Complied?
Borrowing	555.9	929.6	979.6	Yes
PFI and Finance Leases	28.2	28.1	30.9	Yes
Total debt	584.1	957.7	1,010.5	Yes

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

Treasury Management Indicators

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

Security

- 6.5. 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.

	31.03.21 Actual	2020/21 Target	Complied?
Portfolio average credit score	3.91 (AA-)	7.0 (A-)	Yes

Liquidity

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

	31.03.21 Actual	2020/21 Target	Complied?
Total cash available within 3 months	17.0	10.0	Yes

Interest Rate Exposures

- 6.7. 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	31.03.21 Actual	2020/21 Target	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£0.45m	£1m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0.45m	£1m	Yes

- 6.8. 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

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

	31.03.21 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	12.41%	50%	0%	Yes
12 months and within 24 months	0.53%	40%	0%	Yes
24 months and within 5 years	3.40%	40%	0%	Yes
5 years and within 10 years	0.00%	40%	0%	Yes
10 years and within 20 years	23.13%	40%	0%	Yes
20 years and within 30 years	8.99%	40%	0%	Yes
30 years and with 40 years	23.65%	50%	0%	Yes
40 years and within 50 years	27.88%	50%	0%	Yes
50 years and above	0.00%	40%	0%	Yes

- 6.10. 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.

- 6.11. The Authority 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 lower interest rates, and corresponding revenue savings. Short term borrowing exposes the Authority to refinancing risk: the risk that 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	31.03.21	Complied?
Upper limit on short-term borrowing from other local authorities as a percentage of total borrowing	30%	11%	Yes

Principal Sums Invested for Periods Longer than a year

- 6.12. 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:

	2020/21	2021/22	2022/23
Actual principal invested beyond year end	Nil	Nil	Nil
Limit on principal invested beyond year end	£10m	£10m	£10m
Complied?	Yes	Yes	Yes

7. Other: CIPFA Consultations

- 7.1. In February 2021, CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.
- 7.2. In the Prudential Code the key area being addressed is the statement that "local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". Other proposed changes include the sustainability of capital expenditure in accordance with an authority's corporate objectives, i.e. recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the "gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.
- 7.3. Proposed changes to the Treasury Management Code include requiring job specifications and "knowledge and skills" schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.

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Report for: Corporate Committee – 15 July 2021

Title: Draft Annual Governance Statement 2020/21

Report authorised by : Director of Finance

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 for 2020/21 (AGS) and to provide a draft statement relating to the 2020/21 financial year for review and approval.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 The Corporate Committee review and approve the draft 2020/21 AGS attached at Appendix A.
- 3.2 That the Corporate Committee notes the approval timescale and processes for the draft 2020/21 AGS.

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 Council's governance framework as a whole. Corporate governance brings together underlying set of legislative requirements, governance principles and management processes.

- 6.2 The preparation of an AGS is a statutory requirement of the Accounts and Audit Regulations (2015), 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 2020/21 has to be approved by 1 August 2021. 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), Head of Legal & Governance (Monitoring Officer), 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 Statutory Functions 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 Head of Legal & 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 2020/21

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

Not applicable.

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Draft Annual Governance Statement 2020/21

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 31st March 2021 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 worked 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 that delivered 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 £54m 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 fortnightly 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 continue to take a measured, phased approach to this. The facilities management team modified our office space by introducing 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 has been paid to services that may need to resume a face-to-face offer, to ensure this is done safely. We produced and published a covid-19 risk assessments, which was presented at the Corporate Committee on 3 December 2020. In addition, we have carried out 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 continues 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.

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
<p><u>Behaving with Integrity</u></p> <p>a) The Council’s Member Code of Conduct (Nov 2019) requires members to declare interests; applies to Members and co-opted voting members on election or appointment. Published on the internet: http://www.haringey.gov.uk/sites/haringeygovuk/files/lbh_constitution_part_5_section_a_-_part_1_0.pdf</p> <p>b) The offer of Induction is provided for all new Members when they are elected on expected standards of behaviour.</p> <p>c) The Officer Code of Conduct was reviewed in 2019 and a new version was published to staff in June 2019 following approval by Members. 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.</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>d) Haringey Values updated in 2015 (Human, Ambitious, Accountable, and Professional). The Council's Human Resources (HR) team is running seminars for Senior Managers to attend on HR policies including Haringey values. The values are published on the internal website and internet: https://www.haringey.gov.uk/jobs-and-training/working-haringey/haringey-values</p> <p>e) Decision-making practices for member decisions follow legal and transparency requirements. Officer decisions are also recorded and published on Modern.gov: http://www.haringey.gov.uk/local-democracy/our-standards https://www.haringey.gov.uk/local-democracy/how-decisions-are-made</p> <p>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. http://www.haringey.gov.uk/local-democracy/our-standards/register-members-interests</p> <p>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.</p> <p>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.</p> <p>i) Anti-fraud and corruption strategy is in place, including the Whistle blowing policy</p>	<p>Monitoring Officer presented to the Council's Corporate Management Group and training needs assessment will be completed in 2021/22.</p>

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>(Dec 2020). 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: https://www.haringey.gov.uk/local-democracy/performance-and-finance/fraud-and-corruption</p> <p>j) 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.haringey.gov.uk/contact/council-feedback/complaints-about-council</p> <p>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 2021: https://www.minutes.haringey.gov.uk/documents/s110621/App%20B%20Code%20of%20corporate%20Governance%20for%20legal%20VB%20MJ%2014.11.18%20final.pdf</p> <p><u>Demonstrating strong commitment to ethical values</u></p> <p>l) 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</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>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.</p> <p>n) A major review of all the Human Resources policies & procedures began in 2019/20 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.</p> <p>o) 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: http://www.haringey.gov.uk/community/community-safety-and-engagement/crime-and-disorder-information-sharing-protocol In procurement: http://www.haringey.gov.uk/business/selling-council/council-contracts</p> <p><u>Respecting the rule of law</u></p> <p>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 with planned weekly and more recently fortnightly meetings. The Board focuses on ensuring statutory compliance and is both forward and backward looking and support the organisation and Statutory Officers in fulfilling their roles.</p> <p>q) The Council optimises the powers available for the benefit of citizens, communities and other stakeholders. Decisions are taken, in accordance with relevant statutory</p>	<p>Progress on updated policies to be tracked into 2021/22.</p>

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>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: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</p> <p>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 2020/21.</p> <p>s) Statutory officers are available at meetings of the Council/Cabinet to advise and ensure law and regulations are not breached.</p>	
B. Ensuring openness and comprehensive stakeholder engagement	
<p><u>Openness/ Implementing good practice in transparency</u></p> <p>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</p> <p>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: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</p> <p>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. http://www.haringey.gov.uk/local-</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>democracy/have-your-say-haringey. http://www.haringey.gov.uk/local-democracy/have-your-say-haringey/our-commitments-you https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan-2019-2023-consultation</p> <p>The Council publishes 'Performance Wheels' on Borough Plan priorities and outcomes on the website; feedback on our performance is encouraged through this route: https://www.haringey.gov.uk/local-democracy/policies-and-strategies/building-stronger-haringey-together</p> <p><u>Engaging comprehensively with institutional stakeholders</u></p> <p>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.</p> <p>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: http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=444&Year=0 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.</p> <p>f) Resident engagement also occurs in formal consultation and engagement</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>processes. More information on the Community Engagement Framework is available on our website. https://www.haringey.gov.uk/local-democracy/have-your-say-haringey/haringeys-community-engagement-framework</p> <p>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 specific partnerships and stakeholder newsletters including Team Noel Park; and Northumberland Park to engage with residents.</p>	
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits; and D. Determining the actions necessary to optimise the achievement of the intended outcomes</p>	
<p><u>Defining actions/outcomes and sustainable economic, social and environmental benefits</u></p> <p>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 £44 million savings by 2025. 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: https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>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.</p> <p>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 agreed outcomes. Regular reports are provided to the Cabinet: https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=9468&Ver=4</p> <p>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: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</p> <p>e) A five-year capital programme was approved by Full Council on 9 February 2021, which sets out the Council's longer-term investment requirements linked to policy objectives, updates are provided to Cabinet annually at the February meeting: https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=9468&Ver=4</p> <p><u>Determining actions and optimising achievement of intended outcomes</u></p> <p>f) The Council includes requirements to enhance social value in contracts. For example, construction projects over £1m in value must include an apprenticeship</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
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 individuals within it	
<p><u>Developing the entity's capacity</u></p> <p>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: https://www.haringey.gov.uk/search/haringey_cse/workforce%20development%20strategy</p> <p>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.</p> <p><u>Developing the capability of the entity's leadership and other individuals</u></p> <p>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. http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</p> <p>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.</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>e) Members who sit on Committees are provided with training specific to their responsibilities for these committees. Training sessions are planned for 2021/22 for member for planning, licensing, audit, finance, pensions and treasury.</p> <p>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.</p> <p>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.</p> <p>h) The Council's Workforce Development Strategy 2019 – 2023 aims to create a better place to work. Work on creating a Healthy Workforce Strategy is on-going and will be approved by members in 2021/22. 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.</p> <p>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: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</p> <p>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</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>performance with statistical neighbours, London and England averages in most cases: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</p>	
<p>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</p>	
<p><u>Managing risk</u></p> <p>a) Haringey has a corporate Risk Management Policy and Strategy in place it was reviewed in Sept 2021 and approved by Members in Dec 2020. A project to strengthen risk management and embed the Strategy has commenced and will continue into 2021/22. 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. https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=730&MId=9449&Ver=4</p> <p>b) The Council's key risks are managed via corporate risk and directorate 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: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</p> <p>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 Council-</p>	<p>The Business Continuity arrangements are being refreshed in 2021/22.</p>

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>wide Business Continuity Plan. As noted previously the Council's Business Continuity Plans were implemented in response to Covid -19. More information on business continuity and emergency planning is available at: https://www.haringey.gov.uk/environment-and-waste/major-emergencies/emergency-planning</p> <p><u>Managing performance</u></p> <p>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: https://www.haringey.gov.uk/local-democracy/policies-and-strategies/building-stronger-haringey-together</p> <p>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?CId=128&Year=0</p> <p><u>Strong public financial management and robust internal control</u></p> <p>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 savings required, to deliver a balanced budget position each year between 2020</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>and 2025. Over half of this target (£28.4m) has been subject to consultation with residents, before being approved by Full Council in February 2021; the reminder has yet to be identified and will form part of the financial planning process during 2021/22. 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.</p> <p>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.</p> <p>h) The Council operates a 'zero tolerance' approach to fraud and corruption. The anti-fraud 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 2020/21, the Council investigated and recovered 21 illegally sublet properties; and prevented 69 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?CId=730&Year=0</p> <p>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. No significant governance issues were raised by either report; recommendations were made to address some identified control weaknesses.</p> <p>j) Regular internal and external audit reviews check compliance with financial and contract procedure rules across the Council and the outcomes of these are</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>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 2020/21.</p> <p>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. In line with the Public Sector Internal Audit Standards, a peer review has been commissioned and will be completed in 2021/22.</p> <p><u>Managing data</u></p> <p>l) 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: https://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance?_sm_au=iHVVH14V03WHLnWHq</p> <p><u>Implementing good practices in reporting</u></p> <p>m) The Council produces an annual report to accompany its statement of accounts; for 2019/20, this received an unqualified opinion from the external auditor in 2020/21, 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</p>	<p></p> <p>In the recent past, there have been instances of data breaches that have been reported to the Information Commissioner's Office.</p>

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<p>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. http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=143&MId=7868&Ver=4</p> <p>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 2019/20 are being addressed.</p> <p>o) 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: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</p> <p><u>Assurance and effective accountability</u></p> <p>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 2020/21.</p>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
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 2019/20, 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.

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
Covid -19 Impact on Financial Planning & MTFS refresh	<p>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.</p> <p>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.</p> <p>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.</p> <p>Cabinet & Corporate Board – Led by Director of Finance - March 2021</p>	<p>On-Going - There has continued to be regular reporting of the financial position of the council to both Senior Officers and Members. The budget for 2021/22 was approved in February. The s151 officer confirmed via the follow up work in February 2021 that plans were in place to address the forecasted overspend for 2020/21, that existed at that time. In light of the Covid-19 pandemic the council's MTFS has been reviewed and appropriate financial risks recognised. The MTFS will continue to be monitored in 2021/22 and beyond as financial uncertainty will continue to impact on the Council's financial management arrangements.</p>

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
Clienting of Homes for Haringey	<p>The Council has an Arm's Length Management Organisation (ALMO), 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 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.</p> <p>Director of Housing, Regeneration & Planning March 2021</p>	<p>Completed - The ALMO Client Management function has been established within the Council's Housing, Regeneration and Planning Directorate. A team has been created under the Assistant Director for Housing.</p> <p>Since the team's inception in December 2020, the key achievements have been as follows:-</p> <ul style="list-style-type: none"> - Ongoing monitoring of the key performance indicators within the ALMO Client Managers' specific directorate/service area and addressing areas of under-performance with the appropriate Director/Head of Service. - The completion of a review of the performance management framework for 2021-22, to make sure there is a targeted and prioritised focus on key performance indicators, in the main areas of HfH's business. - Highlighting key areas of HfH's business where an additional focus and resources are required. Examples of this include building and fire safety, voids and visits to the support of vulnerable tenants. - Increased focus on issues of efficiency and value for money. <p>Further steps to be taken in 2021-22</p>

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
		to embed the work of the ALMO Client Management team and improve the overall performance of HfH.
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.	<p>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.</p> <p>A Property Governance Review will be completed in 2020 to ensure that new arrangements are sound and fully embedded.</p> <p>Director of Customers, Transformation and Resources September 2020</p>	<p>On-Going - New governance arrangements are in place for decisions about acquisitions and disposals with clear process for clearance and recommendations to Members (and onward to Cabinet for decision where appropriate) for potential acquisitions or disposals.</p> <p>The Asset Management Plan update was published February 2021 and includes criteria which need to be met for acquisitions and disposals.</p> <p>The process for acquisitions and disposals mapped out for clarity and will be audited as part of the 2021/22 internal audit plan.</p>
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.	<p>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.</p> <p>This is a high inherent risk area for the council, the</p>	Completed – A risk assessment was completed by the Council's Senior Information Risk Officer (SIRO) and is being used to develop actions to enhance data management within the organisation.

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
	<p>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 decision making.</p> <p>Director of Customers, Transformation and Resources September 2020</p>	
<p>Safety of two social housing buildings at Broadwater Farm.</p>	<p>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.</p> <p>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.</p> <p>Director of Housing, Regeneration & Planning March 2021</p>	<p>On-Going - As at 06/06/20 five leaseholders still own homes in Tangmere (with a further 111 vacant). 12 leaseholders own homes in Northolt although eight of these have agreed to sell and are at various stages of the conveyancing and sales process. There is one remaining tenant and a further 89 vacant properties.</p> <p>Covid has had an impact on our negotiations, with a number of leaseholders and tenants either being unwilling to engage during the pandemic or unable to make onward purchases (or indeed search for onward purchases) during the various lockdowns.</p> <p>Due to ongoing difficulties in agreeing mutual sales prices for the remaining leaseholders, the council has commenced CPO proceedings and is anticipating a public inquiry in the</p>

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
		<p>Autumn of this year. Cabinet formerly approved the submission of a CPO in November 2020. It is assumed that should the council be successful at the inquiry, vacant possession will be secured no later than May/June 2022.</p> <p>Risks in each block are being mitigated by the removal of gas supplies (completed in 2019), provision of 24-hour security, the decommissioning of empty flats and the securing of front doors to prevent unauthorised access.</p>
<p>In October 2018, Ofsted carried out an inspection of Children's Social Care Services and published its final report on 14 December 2018. More recent inspections have recognised a positive direction of travel.</p>	<p>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.</p> <p>The Cabinet, Children's Scrutiny and Corporate Parenting Advisory Committee all receive an annual update on the progress of the action plan.</p> <p>Director of Children's Services March 2021</p>	<p>On-Going – There are regular one-to-one meetings with the Cabinet member for Children, Families and Education and the Director of Children's Services continue, supported by a Safeguarding Assurance quarterly meeting with the Leader, CE and the Independent Chair of the Haringey Children's Safeguarding Partnership, (HSCP).</p> <p>Ofsted conducted a Focus visit in March 2021. The recommendation from this inspection visit reinforced the work with partners to further develop and embed system for Children and young people who may go missing from home and care.</p>

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
<p>Schools performance, audit assurance outcomes and financial balances.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>Investment in training for governors and schools will continue.</p> <p>Annual reports are taken to the schools forum and Corporate Committee.</p> <p>Director of Children's Services March 2021</p>	<p>Completed - There has been a marked improvement in the number of schools assigned low levels of assurance. Internal audit carried out audits at 17 schools during the financial year. 15 were assigned satisfactory levels of assurance and two were assigned unsatisfactory assurance. These schools will continue to be monitored in 2021/22 but are not a significant governance issue on the statement.</p>
<p>Covid-19 – Safe Service Provision and Financial Control</p>	<p>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.</p> <p>There is an enhanced risk of fraud in this situation.</p>	<p>Completed - Covid-19 posed a range of financial and not financial risks during 2020/21 that have largely been addressed.</p>

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
	<p>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 paying out grants to businesses. Compliance checks enhanced and agreed audit plan re-visited to re-prioritise where necessary.</p> <p>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.</p> <p>Director of Finance Corporate Board – all Budget Holders Directors of Children’s and Adults Services March 2021</p>	

- 4.2 We have identified the following significant governance issues during 2020/21. 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	<p>There has continued to be regular reporting of the financial position of the council to both Senior Officers and Members. The budget for 2021/22 was approved in February. The s151 officer confirmed via the follow up work in February 2021 that plans were in place to address the forecasted overspend for 2020/21, that existed at that time.</p> <p>In light of the Covid-19 pandemic the council's MTFS has been reviewed and appropriate financial risks recognised. The MTFS will continue to be monitored in 2021/22 and beyond as financial uncertainty will continue to impact on the Council's financial management arrangements.</p>	Cabinet & Corporate Board – Led by Director of Finance	March 2022
During 2020/21, 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.	<p>New governance arrangements have been put in place for decisions about acquisitions and disposals with clear process for clearance and recommendations to Members (and onward to Cabinet for decision where appropriate) about potential acquisitions or disposals.</p> <p>The Asset Management Plan update was published February 2021 and includes criteria which need to be met for acquisitions and disposals.</p> <p>The process for acquisitions and disposals mapped out for clarity and will be audited as part of the 2021/22 internal audit plan.</p>	Director of Housing, Regeneration & Planning	March 2022
Safety of two social housing buildings at Broadwater Farm.	As at 06/06/20 five leaseholders still own homes in Tangmere (with a further 111 vacant). 12 leaseholders own homes in Northolt although eight of these have agreed to sell and are at	Director of Housing, Regeneration &	March 2022

Issue	Action	Responsibility	Due date
	<p>various stages of the conveyancing and sales process. There is one remaining tenant and a further 89 vacant properties.</p> <p>Due to ongoing difficulties in agreeing mutual sales prices for the remaining leaseholders, the council has commenced CPO proceedings and is anticipating a public inquiry in the Autumn of this year. It is assumed that should the council be successful at the inquiry, vacant possession will be secured no later than May/June 2022.</p> <p>Risks in each block are being mitigated by the removal of gas supplies (completed in 2019), provision of 24-hour security, the decommissioning of empty flats and the securing of front doors to prevent unauthorised access.</p>	Planning	
<p>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.</p>	<p>There are regular one-to-one meetings with the Cabinet member for Children, Families and Education and the Director of Children's Services continue, supported by a Safeguarding Assurance quarterly meeting with the Leader, Chief Executive and the Independent Chair of the Haringey Children's Safeguarding Partnership, (HSCP).</p> <p>Ofsted conducted a Focus visit in March 2021. The recommendation from this inspection visit reinforced the work with partners to further develop and embed system for Children and young people who may go missing from home and care.</p>	Director of Children's Services	March 2022
<p>Review the authority's information governance framework.</p>	<p>The Council is the accountable body for complying with the Data Protection Act 2018 and the UK GDPR. We plan to use the Information Commissioner's Accountability Framework to self-assess against its ten categories and to help identify and mitigate any gaps in our governance arrangements to demonstrate compliance with the Act and the Regulation.</p>	Director of Customers, Transformation and Resources	March 2022

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 2020/21. Their comments on the key governance issues are as follows:
- Director of Finance: The Council's 2020/21 budget had major variations as a result of the C19 pandemic, and the Council's response to this. Throughout the year there was continuous reporting to Cabinet and to the government on the impact of the pandemic on the Council's finances, and strong levels of financial governance and control have been maintained throughout the pandemic period. In broad terms, government financial support has been sufficient to cover the financial impact on the Council's general fund budgets in 2020/21, however the position looks challenging in future years given the assumed long lasting impacts of the pandemic on demand for services, and income streams. A great amount of uncertainty surrounds the future of the Council's finances, given these legacy impacts of C19 and uncertainty surrounding future government funding policy. The Council's MTFS forecasts a significant medium term funding gap in excess of £20m, and the Council will need to develop plans to reduce its net cost base while best ensuring that it fulfils its responsibilities and priorities.
 - Head of Legal & Governance (Monitoring Officer): The Monitoring Officers for 2020/21 are not aware of any significant governance issues in relation to member code of conduct complaints. The work in strengthening the governance concerning acquisitions and disposals will be reviewed during 2021/22.
 - Head of Audit and Risk Management: The work of the internal audit team has been impacted upon significantly over the last financial year in many ways. The audit programme initially presented to the March 2020 Corporate Committee was refreshed in recognition of the Covid 19 risks and presented to the July 2020 Corporate Committee. The Corporate Management Group were also advised of how to maintain good internal controls and appropriate checks and balances. The delivery of the audit programme was slower than originally anticipated as the organisation responded to a range of Covid related priorities. For the audit work completed, most areas were assigned a satisfactory levels of assurances although weaknesses in internal controls were identified in some areas. Internal audit highlighted the following areas where management attention was required; acquisition and disposal of assets, procurement, IT related risks, brokerage services, and health and safety. In all cases, management have accepted audit recommendations to improve the internal control environment in these areas. Audits performed at Homes for Haringey have highlighted internal control weaknesses in a number of areas

audited including housing repairs, stores and the concierge service. The proportion of schools assigned a satisfactory level of assurance has improved for 2020/21.

- 5.3 The Head of Audit and Risk Management has also provided an Annual Audit Report and opinion for 2020/21. 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. The following audit areas were assigned 'Limited' assurance; Declaration of Interests, Arrangements for Letting Contracts, Contract Management, Purchase Cards, Management of Cyber Risks, Contract Waivers, Brokerage, IT Disaster Recovery, Health and Safety, Quality of Practice, Safeguarding (Management and Triage), Lea Valley and Stroud Green Primary Schools. No audit was assigned "Nil" assurance.
- 5.4 Directorate Management Teams have discussed a statement of assurance covering 2020/21 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 2020/21, 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 2021. 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 Peray Ahmet
Leader of the Council

Date:

Zina Etheridge
Chief Executive

Date:

Report for: Corporate Committee – 15 July 2021

Title: Annual Internal Audit Report 2020/21

Report authorised by : Chief Financial Officer

Lead Officer: Minesh Jani, Head of Audit and Risk Management
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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 2020/21 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 2020/21.

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 2020/21 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:
 - the opinion;
 - 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 2020/21.

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 anti-fraud 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 £112.8k per property are not allocated to those who are not entitled to receive them.

8.2 Legal

The Head of Legal & 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, the opinion expressed by the Head of Audit & Risk Management and that measures have been put in place to deal with instances where assurance levels are an issue, 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 2020/21

Appendix B – Internal Audit Outcomes 2020/21 – Mazars

Appendix C – Anti Fraud Outcomes 2021/21

10. Local Government (Access to Information) Act 1985

Not applicable

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**APPENDIX A - Annual Internal Audit Report 2020/21
(Including Head of Internal Audit Opinion)**



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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, which states that a relevant body must: *'Undertake an 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 2020/21, 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 the financial year 2014/15, 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 (QAIP) was 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 in 2021, to independently confirm compliance with the standards. Covid-19 delayed the start of audits to quarter 2, consequently the first quarter was used as an opportunity to consider service developments and introducing additional qualified audit resource in house which became available following a restructure. The change was the creation of a multi-skilled Deputy post providing more capacity to oversee the quality of the outsourced provider's work and additional resilience in meeting the needs of the council. As a result of these changes less work was commissioned via Mazars and more undertaken in house. This is outlined in the report.
- 1.4 Internal Audit services for Haringey Council, excluding the investigation of allegations of fraud and corruption, is 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 a significant impact on the delivery of the 2020/21 audit plan. The risk based systems audits contained in the plan, approved in March 2020 were put on hold as Council services enacted their business continuity plans and the organisation responded to the pandemic. The plan was refreshed in light of the changes to the risk environment and re approved in July 2020 by the Corporate

Committee. The Head and Deputy Head of Audit and Risk provided support to management with regards risk and control issues and sought assurances in real time. Updates on the impact of COVID-19 to the audit service have been provided quarterly to Corporate Committee members during 2020/21. Work on the audit plan re-commenced in quarter two with fieldwork for audits by Mazars being undertaken virtually from quarter three onwards.

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 Despite the challenges highlighted above, a full range of internal audit services has been provided during the year and has been 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. The work completed by in house resources in the Audit and Risk Service is detailed in this document and at Appendix C. The work completed by Mazars is detailed at Appendix B.

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 team, including that of the anti-fraud investigation team for 2020/21. 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 For 2020/21, I have also considered the Council's response to the COVID-19 pandemic and how Management adapted their control environment to ensure governance is not compromised and risks continue to be managed. I worked closely with Senior Officers to monitor this throughout the year and have taken assurance from this work to inform the opinion.
- 3.8 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 2021 and 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 some specific gaps in the control framework which need to be addressed.
- 3.9 Outcomes of the 2020/21 audit plan contained within this report indicate that areas where assurances were not adequate were: Declarations of Interest; Arrangements for Letting Contracts; Contract Management; Purchase Cards; Management of Cyber Risks; Contract Waivers; Brokerage; IT Disaster Recovery; Property Acquisition and Disposal; Health & Safety and Safeguarding. In addition specific advisory work has focused on areas such as: Property Governance, Data Protection and COVID-19 Business Grants.

- 3.10 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 and the need to ensure strategies, policies and procedures are up to date. In addition, the decentralised operations of some corporate systems such as procurement reduce the oversight and compliance of internal controls in the area. As part of producing this annual report, the recommendations falling due in year were followed up and results were generally satisfactory, with COVID-19 impacting on implementation of some recommendations.
- 3.11 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 were tracked in 2020/21. No new governance issues have been raised from audit work as the organisation prepares its 2020/21 statement although many of the existing governance issues continued into 2021/22. Our annual report on schools highlights a significant improvement in the assurances obtained from the audits of schools, consequently, the action relating to school audits in the annual governance statement has been closed. Further explanation is provided below.
- 3.12 I reported last year that the control environment in Haringey's schools required improvement. I am pleased to see another year where we have noted improvement in the assurances provided to schools. No schools in 2020/21 were assigned a "nil" assurance. The two schools from 2019/20 that received "nil" assurance were revisited in 2020/21 and both demonstrated improvement. These schools were assigned "Limited" assurance and follow ups have been diarised for quarter 2, 2021/22 to ensure they continue to implement recommendations to manage risk. A programme of follow up for all 2019/20 audits was also completed in 2020/21 and outcomes were positive. Work continues to be undertaken to work closely with other back-office teams supporting schools, the HEP and 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 2020/21 is as follows:
- 15 out of 17 schools completed received "adequate" or above assurance rating;
 - No schools received a nil rating;
 - All schools showed improvements or maintained performance;
 - Two schools were deferred to 2021/22 due to Covid-19 and will be audited early in the year.

4. Internal Audit Coverage and Output

- 4.1 The 2020/21 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 revised plan for 2020/21 included 44 audit projects and 19 schools audits and was approved by the Corporate Committee on 30 July 2020. Table 1 below provides the outcome of changes to the plan, details those not undertaken and those added to the plan in year. Overall a total of 63 assignments were included in the revised audit plan, with a contingency provision still available for additional work. A total of 66 assignments were completed to inform the Head of Internal Audit opinion. The outcome of this work, completed by Mazars, and the definitions of assurance levels are detailed in Appendix B.

4.3 Internal Audit Plan– Summary of Outcomes

- 4.4 It was recognised at the start of the financial year the audit plan needed to be flexible to deal with changes in risks and assurance needs during the year. The decision to cancel a planned audit was taken by the Head of Internal Audit in consultation with key stakeholders. Table 1 below contains an outline of all changes to the plan and Table 2 provides a summary of the changes.
- 4.5 Audits from the original plan, not included below, have been completed as planned (by Mazars) and new audits allocated to Mazars are shown at Appendix B.

4.6 Table 1 – Changes to Plan

Audit Area / Title	Status
Corporate/Cross Cutting Risk Audits	
Emergency Payments - Probity Audit	Cancelled Risk Based Advisory work (in-house).
Scheme of delegation / authorisation	Cancelled Risk Based Advisory work (in-house).
Business Continuity Planning	Deferred to 2021/22 due to Covid-19. In house advisory work and involvement in Council response from risk management perspective.

Audit Area / Title	Status
Priority 2 People (Children's Services)	
Children's Commissioning – Early Years	Advisory work by Mazars In-house work added to plan.
Special Education Needs (Including EHCP)	Cancelled as 2019/20 audit actions delayed and changes to service. Follow up completed and work planned but now included in 2021/22 plan.
Foster Care Payments	Cancelled as other management process review not finished.
NEW – Adaptations (Children's)	The planned audit was expanded to include an assurance for Children's services.
Priority 2 People (Adults and Health)	
Homecare - Transition to the London Living Wage	Cancelled. New contracts will be let in 2021/22. Some advisory work in house.
Priority 3 Environment and Neighbourhood	
Waste Recycling Management	Cancelled. Management assurance was better provided by business analyst than audit.
Priority 4 Housing, Regeneration and Planning	
Client Monitoring of Homes for Haringey	Advisory and Risk Management Work – in-house.
Health and Safety	Planning (extended scope due to COVID-19).
Priority 5 Customers, Transformation and Resources	
FOBO and the Digital Strategy	Cancelled as programme redefined. In house advisory work on new programmes.
Arrangements for maximising Business Rates	In house project as part of 'post event' central government grants work.

Audit Area / Title	Status
Corporate IT Audits	
IT Change Management follow up	Added to plan.
Contract and Procurement Audit	
Procurement - Arrangement made under Policy Procurement Note	In house review.
Risk Based Audits of Key Financial Systems	
Teachers' Pensions contributions	Cancelled – external audit do not require this assurance.
Delivery of Financial Savings - two projects	Reassigned in house review.
School Audits Risk Based Programme	
Fortismere Secondary	Deferred to 2021/22
Bruce Grove Primary	Deferred to 2021/22
Contingency / Unplanned Work	
Grants Project Advice	Advisory
Grants Project Assurance	Internal and Central Government Assurance
Fairer Education Fund	Advisory
Payroll Control Issues	Advisory following fraud
Data Protection Issues	Advisory following data breach
Management of Safeguarding	Advisory as part of a whistle-blower
London Energy Project	Advisory as part of a whistle-blower
IR35	Advisory – management concerns
HAYS invoicing	Advisory – management concerns
Direct Payments	Advisory – management concerns
Early Years	Advisory – complaint
CCTV	Advisory - complaint

4.7 Table 2 – Summary of changes to the audit plan.

Plan / Change	Number
Number of audit projects as per the original plan (+)	44
Number of planned schools Audits (+)	19
Total number of assignments (=)	63
Projects added to the plan in year (+)	15

Cancelled audits (-)	4
Audit replaced with other advisory work (+ -)	7
Audits deferred to 2021/22 (-)	2
Number of Schools deferred to 2021/22 (-)	2
Total number of assignments (=)	70
of which Audit / Advisory Assignments	53
and Schools	17
Number completed by Mazars (see app B)	46
of which Audit assignments totalled	27
Schools totalled	17
Advisory totalled	2

- 4.8 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.
- 4.9 Due to the delayed start to the plan, work on 2020/21 audits have continued into quarter one 2021/22. This has delayed our start to the 2021/22 audit plan though it is anticipated the audit work will be delivered by March 2022.
- 4.10 I do not consider the exceptions outlined above to have an adverse impact on providing my overall opinion for 2020/21. 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 2021/22. An analysis of the audit outcomes is included later in the report.

5. Annual Internal Audit Report & Opinion Statement 2020/21

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 Internal Audit (IA) Plan for 2020/21 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 Head of Internal Audit's (HIA) opinion is based primarily on the work carried out by the Council's IA service during 2020/21, 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 2020/21 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 2020/21 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 2020/21 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 continuing to look at how the authority can obtain an adequate level of business assurance. The appointment of the Deputy Head of Audit and Risk Management has increased capacity within internal audit.

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 and Covid Risk Registers;
- 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 their ISA 260 report.

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 internal control weaknesses identified by internal audit during 2020/21. 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.

5.13 For the 13 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" alerts 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 developing and reporting robust business cases to inform decision making, quality assurance and monitoring arrangements, performance management and key performance indicators, and supervisory controls.

- 5.14 Senior management have agreed to respond to the significant internal control weaknesses identified for internal audits carried out in 2020/21.

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 embedded 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 and 2020/21 results do provide more detailed assurances to stakeholders.

6.2 Table 3 analysis of audit outcomes

Assurance Level	2020/21 Reports	2019/20 Reports	2018/19 Reports
Substantial /Full	9 (12.5%)	5 (7%)	1 (2%)
Adequate/Substantial	22 (31%)	28 (42%)	27 (45%)
Limited	13 (18%)	11(17%)	16 (26%)
Nil/No	0 (0%)	2 (3%)	0 (0%)
Advisory	22 (30.5%)	18 (26%)	8 (13%)
Finals report to issue	0 (0%)	1 (1%)	7 (12%)
Deferred*	4 (5.5%)	3 (4%)	-
Total	70	68	59

6.3 Recommendations raised in 2020/21 and Follow Up

- 6.4 An analysis of the recommendations raised as part of the 2020/21 audits is set out below. The figures are based on 46 assurance reports in 2019/20 and 44 in 2020/21.

6.5 Table 4 - 2020/21 recommendations by priority

Risk	Number of recommendations		Percentage	
	2019/20	2020/21	2019/20	2020/21
Priority 1 – High	14	20	5%	10%
Priority 2 – Medium	181	117	62%	60%
Priority 3 - Low	99	59	33%	30%
Total	269	196	100%	100%

- 6.6 All limited assurance reports from 2019/20 were followed up in 2020/21. Directorates maintain their own records of recommendations for monitoring and the regime has bedded in during 2020/21. Follow Up is an area of development in this year's QAIP, see more detail below. The results of follow up have informed this year's opinion and also 2021/22 audit planning.

7 Consultancy Audits 2020/21

- 7.1 Over the last year, the number of consultancy work, advice and guidance has maintained its upward trajectory. This is reasonable in light of the impact of Covid 19 upon services. The trend for continued support and advice is likely to continue into 2021/22. In 2020/21 the Mazars team reconfigured to provide 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. Due to Covid-19 the Head and Deputy Head have undertaken increased ad hoc advisory work within the council. For 2021/22 it is hoped this activity can be forward looking and proactive and focused on the wider risk management framework.

8 Quality Assurance and Improvement Programme

- 8.1 The Public Sector Internal Audit Standards' (PSIAS) set out the need for internal audit to develop a quality 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 As noted above, 2020/21 presented the service with an opportunity to review and redefine our service offer and our requirements of our outsourced audit partner, 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 has become more robust, and reporting arrangements have been updated so that the documents are more risk orientated. The changes to the assurance levels made in 2019/20 have bedded in and continue to better reflect the profile of risks for the areas audited. All audit terms of reference and reports in 2020/21 were quality reviewed by the Head or Deputy Head of Audit and Risk,

the additional capacity in the team has enabled this extra oversight and this has driven out value for money in our contractual relationship with Mazars.

- 8.3 The areas for development for Internal Audit on the QAIP for 2021/22 will be to improve the way audit recommendations are followed up and reported and to streamline delivery of audit work for management and member reporting.

APPENDIX 1

Introduction

This report for the 2020/21 financial year includes details of internal audits completed by Mazars. The report provides information on assurance opinions on areas we have reviewed and gives an indication of the direction of travel for key systems work which provides information on how risks are being managed over time. Full copies of our audit reports will be provided upon request. The fieldwork for these reviews has been completed during the government measures put in place in response to Covid-19. Consequently, testing has been performed remotely.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports. The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported.

Date: 6 July 2021

01 Mazars Internal Audit Work Undertaken in 2020/21

The following reviews were undertaken within the year by Mazars. The audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported.

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)			Total
					1	2	3	
Declarations of Interest	September 2020	January 2021	Limited	←	1	2	3	6
Buyback of Right to Buy (RtB)	November 2020	January 2021	Adequate	N/A	-	2	2	4
Community Infrastructure Levy (CIL)	November 2020	February 2021	Adequate	N/A	-	1	2	3
Arrangements for Letting Contracts	November 2020	May 2021	Limited	←	2	4	-	6
Contract Management of Contracts	November 2020	May 2021	Limited	←	1	5	-	6
Purchase Cards	November 2020	June 2021	Limited	N/A	1	4	-	5
Management of Cyber Risks	December 2020	January 2021	Limited	↔	2	8	3	13
Insourcing	December 2020	May 2021	Adequate	N/A	-	3	-	3
No Recourse to Public Funds	December 2020	July 2021	Substantial	N/A	-	1	1	2
Capital Schemes	January 2021	April 2021	Adequate	N/A	-	3	1	4
London Construction Programme	January 2021	April 2021	Adequate	N/A	-	2	2	4
Contract Waivers	January 2021	May 2021	Limited	↔	3	2	-	5
Risk Based Verification	January 2021	May 2021	Adequate	N/A	-	1	-	1

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)			Total
					1	2	3	
Brokerage (Adults)	January 2021	Draft Report	Limited	↔	-	5	1	6
Brokerage (Childrens)	January 2021	June 2021	Limited	N/A	1	2	-	3
IT Disaster Recovery	January 2021	June 2021	Limited	N/A	-	4	-	4
IT Infrastructure Resilience	January 2021	June 2021	Adequate	N/A	-	3	1	4
Adaptations	January 2021	July 2021	Substantial	N/A	-	-	2	2
Pest Control Fees and Charges	February 2021	May 2021	Substantial	N/A	-	1	2	3
Health and Safety	February 2021	June 2021	Limited	N/A	1	4	-	5
Administration of Concessionary Travel	February 2021	June 2021	Adequate	N/A	-	1	1	2
Accounting for Pay and Display Income	February 2021	July 2021	Substantial	N/A	-	-	6	6
Accounts Payable	February 2021	June 2021	Substantial	→	-	-	1	1
Quality of Practice	February 2021	July 2021	Adequate	N/A	-	3	1	4
Management and Control of Carers Service	February 2021	July 2021	Adequate	N/A	-	3	1	4
IT Change Management Follow Up	March 2021	May 2021	N/A					
Early Years	February 2021	March 2021	N/A					
CCTV	March 2021	May 2021	N/A					
Safeguarding (Management & Triage Arrangements)	March 2021	Draft Report	Limited	N/A	2	1	2	5
Revenue Assurance	April 2021	July 2021	Adequate	N/A	-	3	1	4

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)			Total
					1	2	3	
				Totals	14	68	33	115

The following schools audits were undertaken within the year by Mazars.

Audit Title	Assurance Level	Direction of Travel	Number of Recommendations (Priority)			Totals
			1	2	3	
Our Lady of Muswell Catholic Primary School	Substantial	→	-	-	1	1
North Haringey Primary School	Substantial	→	-	1	-	1
Tetherdown School	Substantial	→	-	1	-	1
Campsbourne School	Substantial	→	-	1	1	2
Woodlands Park Nursery School	Adequate	→	-	2	1	3
Lancasterian Primary School	Adequate	→	-	3	-	3
Riverside School	Adequate	→	-	3	1	4
Rokesly Junior School	Adequate	→	-	3	1	4
Ferry Lane Primary School	Adequate	→	-	3	2	5
West Green Primary School	Adequate	↔	-	4	1	5
St Peter in Chains Roman Catholic Infant School	Adequate	→	-	3	3	6
Welbourne Primary School	Adequate	↔	-	4	2	6
Crowland Primary School	Adequate	→	-	4	3	7
Belmont Junior School	Adequate	↔	-	5	3	8

Audit Title	Assurance Level	Direction of Travel	Number of Recommendations (Priority)			Totals
			1	2	3	
Rokesly Infant & Nursery School	Adequate	↔	1	2	1	4
Lea Valley Primary School	Limited	→	2	5	4	11
Stroud Green Primary School	Limited	→	2	8	-	10
Totals			5	52	24	81

Definitions of assurance levels, recommendations priorities and direction of travel are in Section 03 below.

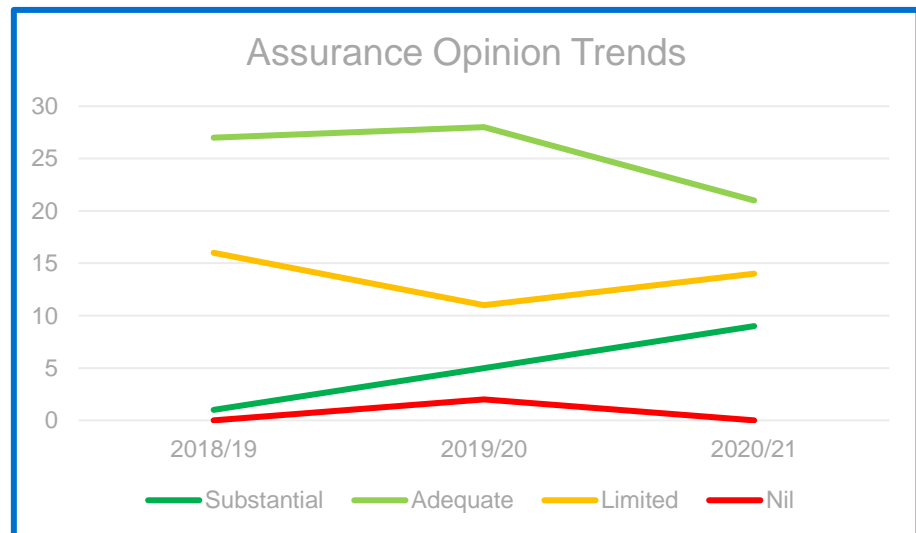
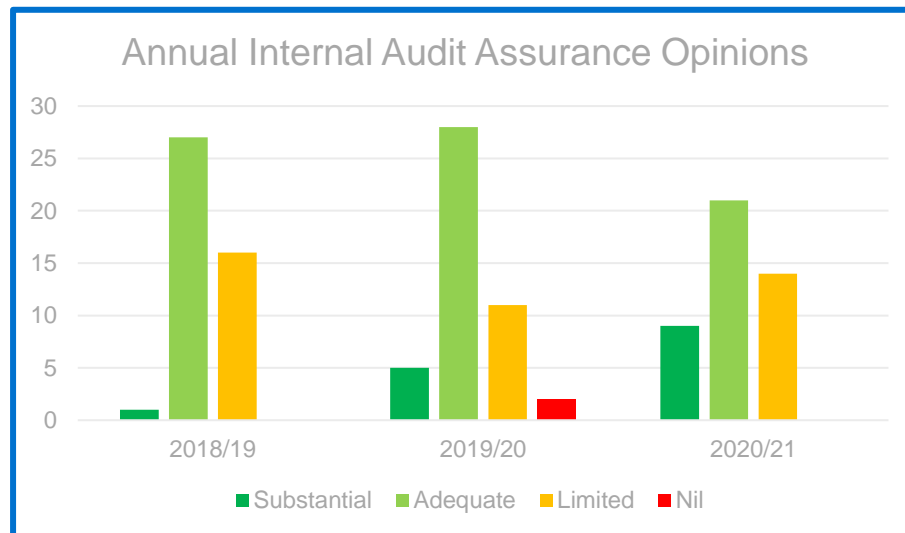
02 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made.

Comparison of assurance levels (where given)

We have provided assurance opinions in 44 reports this year, with 46 opinions provided in 2019/20.

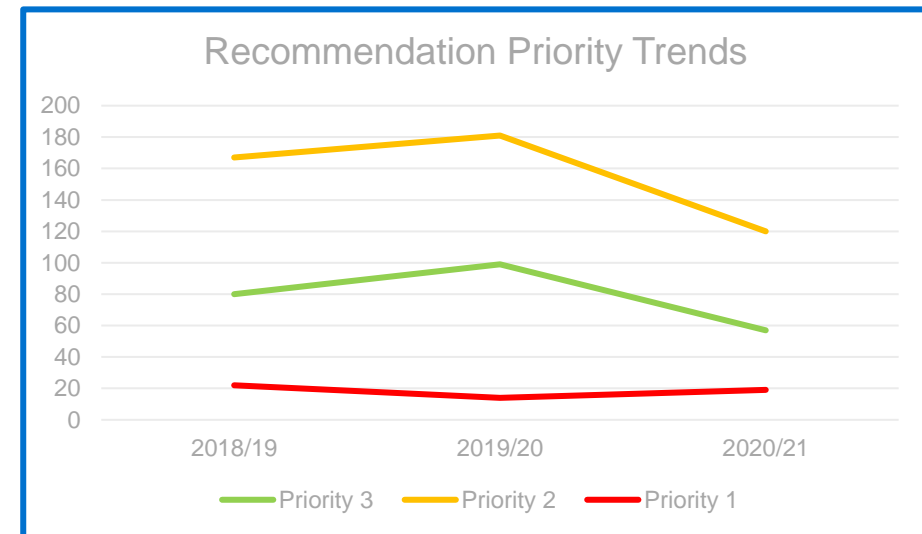
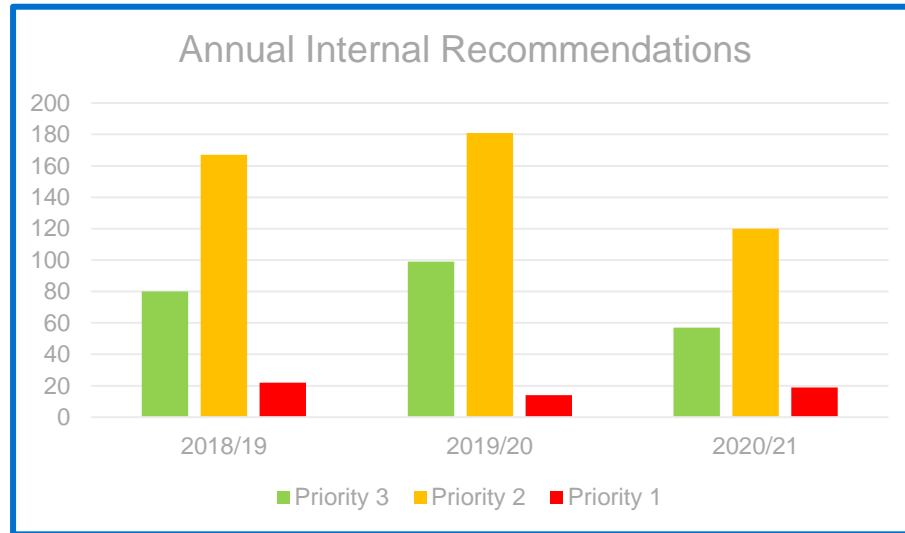
In comparison to 2019/20, there has been an increase in 'Substantial' opinions this year and no audits have received a 'Nil' assurance opinion.



Comparison of recommendations by categorisation (where given)

Over the past year, we have made a total of 196 new recommendations. 19 recommendations were categorised as Priority 1, 120 were categorised as Priority 2 and 57 were categorised as Priority 3.




Less recommendations have been raised this year, however, there has been an increase in Priority 1 recommendations (from 14 to 19).



03 Definitions of Assurance and Recommendation Gradings

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.
	Deteriorated since the last audit visit.
	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.

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

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Appendix C - Anti-fraud



2020/21

Anti-Fraud 2020/21

Introduction

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 team of investigators within the Audit and Risk service is managed by the Deputy Head of Audit and Risk Management.

2020/21 was an unprecedented year for the Council, working remotely from the office and with national and local restrictions imposed had led the Audit & Risk service, like others, to challenge the way we approach our work. The use of technology and data was central to the strategy to develop the service for the future, Covid-19 has prioritised this work and forced the team to consider not only a more accelerated timeline but also even more significant changes in process and procedures. Outcomes have been impacted for the year due to extended timelines to obtain information, closure of courts and restrictions preventing or hindering visits to residential and business premises. A new case management system was procured in 2020/21 and will be implemented in 2021/22, this will create efficiencies in monitoring and reporting of workload. Part of the new system is a tool that enables internal data sets to be matched to identify fraud, this will enable the team to work with services to detect fraud or gather assurances that controls to prevent fraud are working as intended, again generating efficiencies in how resources are used.

The purpose of this document is to outline the activities of the team that have been considered when forming the Head of Internal Audit Opinion, it also seeks to ensure that in accordance with Part 2 of the Local Government Transparency Code 2015, the council has published information on the cost of its anti-fraud work and the outcomes achieved. The team's performance is reported quarterly to the Council's Corporate Committee during the year.

Transparency Code 2015 requirements

Requirement	2018/19	2019/20	2020/21
Allocated budget for anti-fraud work	£672k	£606k	£564k
Number of staff (absolute and FTE) undertaking anti-fraud work	7.5 staff: 7.5 FTE	7.5 staff: 7.25 FTE	9 staff: 7 FTE
Number of staff of professionally accredited anti-fraud specialists	5 staff	5 Staff	6 Staff
Total amount of time spent on the investigation and prosecution of fraud	1,323 days	1,279 days	1,235 days
Total number of fraud cases investigated	848 (205 reactive cases)	795 (223 reactive cases)	2899 (125 reactive cases)
Number of occasions powers under the Prevention of Social Housing Fraud Regulations have been used	120	107	25

Transparency Code 2015 requirements

Type of Activity	2018/19	2019/20	2020/21
Tenancy Fraud	191	204	111
Employee Fraud / Whistleblowing Cases	22	18	13
Non Employee Fraud/ Whistleblowing Cases	-	1	2
Right to Buy applications	236	238	221
Proactive Tenancy Checks/Visits	205	204	0
Gas Safety Proactive Tenancy Visits	149	101	0
No Recourse to Public Funds financial checks	45	29	53
Business Grant pre payment checks	0	0	>2500
TOTALS	848	795	2890

Anti-Fraud Outcomes 2020/21

Tenancy Fraud

The tables on the next slide contains information regarding caseload. There are two housing fraud cases being prosecuted at the end of 2020/21.

In 2020/21 21 council stock properties had been recovered through the actions and investigations of the Fraud Team; therefore £378k can be attributed to the recovery, or cessation, of fraudulent council and temporary accommodation tenancies. This compares to 56 in 2019/20.

In 2020/21 there were 111 referrals to the anti fraud team. This compares to 204 in 2019/20. The drop in referrals is not a surprise in light of COVID-19.

Closure and reduced capacity in the courts during 2020 as a result of COVID-19 has also impacted on the timeline to achieve outcomes in cases. Also government restrictions prevented or hindered visits and proactive fraud activities relating to tenancies from taking place.

The team work closely with officers in Homes for Haringey via an officer seconded to work alongside the fraud team part time each week.

The workplan for 2021/22 will include proactive tenancy fraud activity and this will be supplemented by the use of data matching and intelligence from the National Fraud Initiative.

Tenancy Fraud 2020/21

	Open	Closed
Brought Forward at year start	125	
New referrals in year	111	
TOTAL OPEN	236	
Cases closed – no fraud		28
Cases closed – property recovered		21
TOTAL at year end	187	

Anti-Fraud Activity & Outcomes 2020/21

Employee and Non Employee Fraud and Whistleblowing cases

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's whistleblowing policy. In total, 15 whistleblowing referrals were made during 2020/21, compared to 19 last year. As outlined above 13 of which were employee related. One related to a private organisation but impacted leaseholders and the other an ex agency employee.

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.

In 2020/21, two cases were closed immediately as the allegations had been investigated in 2019/20. One case was referred to Human Resources and another to the LADO as fell into their areas of expertise. Management were asked to investigate three cases. The Head of Internal Audit and Risk gathers outcomes for information on all cases referred on. Seven cases were retained by audit of which two remain open at year end. For the six complete investigation management actions were identified and again updates are discussed periodically.

Of the 8 investigations retained by Audit and Risk 7 of them related to officers. One was a council employee; three Homes for Haringey employees two school employees; one was an ex agency employee. The allegations covered a number of issues including abuse of position; fraud and corruption.

Anti-Fraud Activity & Outcomes 2020/21

Employee and Non Employee Fraud and Whistleblowing cases

In all eight 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 relevant laws and approved policy and procedure and where required disciplinary action be taken in accordance with Council procedures and /or changes to policy, practice or procedure to mitigate similar future occurrences.

As a result of the eight cases completed by the team, two cases resulted in disciplinary action being taken. In all others management actions were agreed to strengthen control environment.

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 in the financial year.

Anti-Fraud Activity & Outcomes 2020/21

Right to Buy Applications

In 2020/21 69 applications have been withdrawn or refused either following investigations and/or failing to complete money laundering processes. This compares to 90 for 2019/20. The target each year is 80. Overall, the 69 RTB applications withdrawn or refused represent over £7.5m in potential RTB discounts; and means the properties are retained for social housing use.

There were 212 applications in progress at the start of the year and 221 at year end. Again COVID-19 has impacted on completion of the investigations and a number of applications were passed to the team in March 2021 when the valuation of properties recommenced and the backlog in processing started to clear.

In addition to these outcomes, a £3k housing benefit overpayment was identified and also two cases of tenancy fraud in other local authorities were identified and in both cases the properties were recovered.

No Recourse to Public Funds

As at 31 March 2021, 53 referrals have been received and responded to by the Fraud Team through the financial year. Referrals are received where the NRPF team has suspicion of fraud and needs to obtain assurance. The average cost of NRPF support per family (accommodation and subsistence for a 2 child household) is around £20,000 pa so fraud prevention, whilst ensuring the service supports those genuinely in need is essential. Referrals from the NRPF were significantly higher than previous years.

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Report for: Corporate Committee – 15 July 2021

Title: Audit & Risk Service Update
Quarter 4 (Jan – March 2021)

Report authorised by: Director of Finance

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 team as well as our outsourced partner Mazars, for the quarter ending 31 March 2021. A combined report has been produced to update the Committee. During quarter four, the team continue to face the unprecedented circumstances arising from working remotely due to Covid-19.

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 four of 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.

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 and Head of Legal & Governance (Monitoring Officer)

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.

Members' attention is particularly drawn to paragraphs 12.6 to 12.11 which summarise the key findings and recommendations in the three limited assurance system reports relating to contracts and procurement. A strong and efficient procurement framework with robust compliance monitoring and effective contract management are essential to ensuring the Council achieves value for money for its residents and the public purse.

8.2 Legal

The Council's Head of Legal and Governance has been consulted in the preparation of this report, and in noting the plans in place to deal with the areas of concern highlighted in the report advises that there are no direct legal 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.

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 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 1 January 2021 to 31 March 2021 and summarises the work of the in-house team.
- 11.2 The Team's in-house resources have not been significantly impacted in terms of the level of resource available by COVID-19 in quarter four however there was significant impact in how the team carries out its work. Business continuity plans were enacted in March 2020 and the working practises of the team have been adapted to enable the team to continue to fulfil its role. To allow the team to practice safe working whilst identifying new ways of working, the team carried out risk assessments which predominately sought to reduce the need for face-to-face contact as much as possible.
- 11.3 Although resources have been stable during the period the demand on the services remains very high. In addition to the usual planned and unplanned fraud work, the team supported services in the administration of business grant projects, which continues to be a priority area of resource allocation. In this regard, the work of the anti-fraud team was to carry out checks before any payment was made to prevent fraud and / or error.

12. INTERNAL AUDIT

- 12.1 Due to the delays in starting the audit plan as previously reported, there has been a high level of work in progress during quarter four. The new team from Mazars is fully embedded and eight assignments have been finalised between the February meeting and the middle of May. Information is included in Appendix A. The Head and Deputy Head of Audit and Risk continue to support the efficient delivery of added value work and continues to support the work of services and responding to new and emerging risks by providing advice, guidance or undertaking focused audit assignments to provide assurances. The focus post May has been to conclude all 2020/21 audits in time for the publication of the annual report and Head of Internal Audit Opinion.
- 12.2 The Head of Audit & Risk has continued to work with the Council's Director of Finance and the Monitoring Officer to ensure that the governance framework remains robust and offering both general and specific risk advice to support Directors.
- 12.3 The Deputy Head of Audit & Risk has continued to be involved with the Emergency Business Grant projects the Council has delivered, in quarter four new grant allocations have been made for distribution. Our role in the period January to March has been to continue in an advisory capacity and to undertake pre-payment checks to prevent fraud and /or error.
- 12.4 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.

- 12.5 The reports finalised and those that reached the draft stage, as well as work in progress is outlined in Appendix 1 of this report. Three limited assurance system reports have been issued relating to Letting of Contracts, Contract Management and Contract Waivers. Four final reports with adequate or above assurance have been issued and work completed to follow up the change management audit from 2019/20 has also been concluded. Seven schools reports were finalised, all reporting an improved level of assurance. One school received limited assurance, and this will be followed up formally in quarter two of 2021/22.
- 12.6 Contract Management – Limited Assurance
This audit along with the others, outlined below, related to contracts and procurement in the 2020/21 audit plan were discussed with management. It has been agreed that consideration will be given to the council's approach to contract management and procurement, as part of the existing Enterprise Resource Planning (ERP) project, and this will mitigate some of the risks identified and the audit recommendations and the underlying findings and risks will be part of the scope of this work. The Head of Audit and Risk Management is sited on this work, and we will formally follow up in quarter two 2021/22.
- 12.7 The audit raised two priority 1 and four priority 2 recommendations. The recommendation sought to address the lack of consistency in the management of contracts across the council, through enhanced use of technology, oversight from strategic procurement and training for contract managers.
- 12.8 Letting of Contracts – Limited Assurance
The Council has approved rules and procedures to govern its procurement activities which are driven by good practice and relevant legislation. The strategic procurement team lead procurements over £160k with management in service departments being responsible for lower value procurements.
- 12.9 The audit raised one priority 1 and five priority 2 recommendations. The recommendations sought to address a lack of a robust central record relating to contracts; better awareness and training for management; more robust vetting of suppliers; better use of technology and more oversight corporately of compliance with contract procedures rules and procedures.
- 12.10 Contract Waivers – Limited Assurance
Although the need to waive the contract standing orders is acknowledged within the Council's approved rules and procedures and is often necessary to deal with urgent procurement activities responding to the needs of the residents, it is important to ensure this process is not used when alternative procurement routes are available to achieve the outcomes.
- 12.11 The audit raised three priority 1 and two priority 2 recommendations. These related to enhancing understanding of the requirements of the Contract Standing Orders (CSOs), ensuring central records are available to enable monitoring of compliance corporately.
- 12.12 Summaries of all audit outcomes are shared with Corporate Committee Members. The team will follow up the agreed actions within audit reports as

part of the 2021/22 audit plan, and where required, escalated to address the internal control weaknesses.

13. RISK MANAGEMENT

- 13.1 In quarter four the Head and Deputy Head of Audit and Risk continue to work with management teams, attending management team meetings to review and challenge their risk registers, this activity has driven the production of the 2021/22 audit plan, which is a key task for quarter four each year.

14. ANTI-FRAUD ACTIVITY

- 14.1 The team undertakes a wide range of anti-fraud activity and have two performance indicators to monitor its work relating to tenancy fraud and the other right to buy fraud. These targets have been consistently achieved in recent years. Financial values are 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	Q4	YTD	Financial Value	Annual Target
Properties Recovered	5	21	£378k+	50
Right to Buys prevented	16	69	£7.5m+	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 co-located 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 2020 we note that only 111 referrals were received, 36 of these in quarter four, compared to 204 in 2019/20.

14.6 Table 2 Tenancy Fraud Activity and Outcomes

Opening Caseload	202	
New Referrals received	36	
Total		238
Properties Recovered	5	
Case Closed – no fraud	46	
Total		(-) 51
Ongoing Investigations		187

- 14.7 Two Tenancy Fraud files are being prepared for prosecution and 77 of these cases (41%) are with other teams for action. Properties will be included in the 'recovered' data when the keys are returned, and the property vacated.

14.8 Right-to-buy (RTB) applications

- 14.9 As at 31 March 2021 there were 226 ongoing applications under investigation. During quarter four, 16 RTB applications were withdrawn or refused either following review by the fraud team and/or due to failing to complete money laundering processes. Year-end outcomes against target totalled 69.

- 14.10 Covid-19 and the restrictions during quarter four continue to impact on the timeline in many processes mainly due to the restrictions around visits as it is noted that for applications received in 2020, no visit took place by the Homes for Haringey team. With restrictions so high currently the fraud team are unable to carry out visits, however additional desk-based checks are being completed to mitigate the increased risk.

14.11 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. The fraud team did not attend the gas safety visits, following a COVID-19 risk assessment. Consequently, no referrals were received from the gas safety activity in quarter 4 though it is envisaged the team will restart their visits from 2020/21.

14.12 Pro-active counter-fraud projects

In quarter four two members of the team have continued to support the Business Grants administration project, undertaking pre-payment checks to ensure risk of fraud and error is minimised. The outcomes of the team's work in this area will be included in the annual report. Having circa a third of our resources dedicated to this project throughout the year has had an impact on

other targets and priorities, particularly our pro-active work such as the National Fraud Initiative and tenancy investigations.

14.13 No Recourse to Public Funds (NRPF)

As at 31 March, 53 referrals have been received and responded to by the Fraud Team in this financial year. Ten were received in quarter four. 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.

14.14 Internal employee investigations

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

There were two employee investigations in progress at the start of quarter 4, one has been closed the other remains ongoing. There was one new employee related investigation received in quarter four.

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.

14.15 Whistleblowing Referrals

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. Two new referrals were made during quarter four. Of these one was retained for audit investigation; one was closed immediately as had been investigated before.

14.16 Prosecutions

As at 31 March 2021 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.

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APPENDIX 1

Introduction

This report for the 2020/21 financial year includes details of all reports which have reached final stage since February 2021. The report provides information on assurance opinions on areas we have reviewed and gives an indication of the direction of travel for key systems work which will provide information on how risks are being managed over time. Full copies of our audit reports will be provided upon request. The fieldwork for these reviews has been completed during the government measures put in place in response to Covid-19. Consequently, testing has been performed remotely.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports. The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported.

Date: 15 May 2021

Key Highlights/Summary since February 2021:

2020/21 Internal Audit Reports finalised

- Capital Schemes
- London Construction Programme
- Verification Framework
- Pest Control – Fees and Charges
- Contract Waivers
- Arrangements for Letting Contracts
- Contract Management of Contracts
- Change Management Follow Up

2020/21 Schools Audit Reports finalised

- Campsbourne Primary School
- North Harringay Primary School
- Lea Valley Primary School
- Our Lady of Muswell Catholic Primary School
- Lancasterian Primary School
- Tetherdown Primary School
- Woodlands Park Nursery School

2020/21 Draft Internal Audit Reports issued (this work will be finalised by end of June to inform the Head of Internal Audit Opinion)

- Insourcing
- Administration of Concessionary Travel
- No Recourse to Public Funds
- IT Infrastructure Resilience
- IT Disaster Recovery
- St Peter-in-Chains RC Infant School
- Crowland Primary School
- Health and Safety

2020/21 Audits at Fieldwork Stage (As above. The reports will be finalised by end of June).

- Accounts Payable
- Adaptations (Adult's and Children's)
- Adult Social Care Management (Quality of Practice)
- Management and Control of Carers Service
- Revenue Assurance
- Brokerage (Adult's and Children's)
- Accounting for Pay and Display Income
- Stroud Green & West Green Primary
- Safeguarding

Audit Progress and Detailed Summaries

The following table sets out the audits finalised since February 2021 and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported.

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
Arrangements for Letting Contracts	November 2020	May 2021	Limited	←	1	5	-
Contract Management of Contracts	November 2020	May 2021	Limited	←	1	5	-
Contract Waivers	January 2021	May 2021	Limited	↔	3	2	-
Capital Schemes	January 2021	April 2021	Adequate	N/A	-	3	1
London Construction Programme	January 2021	April 2021	Adequate	N/A	-	2	2
Risk Based Verification	January 2021	May 2021	Adequate	N/A	-	1	-
Pest Control Fees and Charges	February 2021	May 2021	Substantial	N/A	-	1	2
IT Change Management Follow Up	March 2021	May 2021	N/A				

As part of the 2020/21 Internal Audit Plan we have visited the following schools and issued a final report:




School	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
North Harringay Primary School	February 2021	March 2021	Substantial	➡	-	1	-
Campsbourne Primary School	March 2021	April 2021	Substantial	➡	-	1	1
Lea Valley Primary School	March 2021	April 2021	Limited	➡	2	5	4
Tetherdown Primary School	February 2021	April 2021	Substantial	➡	-	1	-
Our Lady of Muswell Catholic Primary School	March 2021	May 2021	Substantial	➡	-	-	1
Lancasterian Primary School	February 2021	May 2021	Adequate	➡	-	3	-
Woodlands Park Nursery School	February 2021	May 2021	Adequate	➡	-	2	1

Definitions of assurance levels, recommendations priorities and direction of travel are included below.

As a reminder, our recommendations are prioritised according to the following categories:

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.
	Deteriorated since the last audit visit.
	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.

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

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Report for: Corporate Committee – 15 July 2021

Title: Annual Schools Audit Report – 2020/21

Report authorised by: Director of Finance

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 2020/21 schools audit programme and of the follow up of 2019/20 audits carried out in 2020/21.

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 2020/21 and sets out thematic issues that may impact on the governance at schools.

5. Alternative options considered

- 5.1 Not applicable.

6. Background information

- 6.1 The information in this report has been compiled from information held within Audit & Risk Management service based on work completed by Mazars, the council's outsourced audit provider.

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 88% of schools audited in 2020/21 returned 'Adequate' or 'Substantial' assurance ratings. This is an improved performance on earlier years. No schools received a 'Nil Assurance' rating and with the planned changes to following up recommendations now bedded in, it is hoped that these changes and the direction of travel continue so that assurance with regards to risks relating to finance and governance continues to improve.

8.2 Legal

The Council's Head of Legal and Governance has been consulted in the preparation of this report, and in noting the plans in place to deal with the areas of concern highlighted in the report advises that there are no direct legal 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.

9. Use of Appendices

Appendix A – Audit Outcomes Mazars

Appendix B – Follow Up summary table

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 2020/21;
 - 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 2017/18 to 2020/21

	Number of audits planned	Substantial Assurance rating	Adequate Assurance rating	Limited Assurance rating	Nil Assurance rating
2017/18					
Primary Schools (incl. nursery/special)	19	10	N/A	7	2
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
2020/21					
Primary Schools (incl. nursery/special)	18	4	11	2	0
Secondary Schools	1	0	0	0	0
Sub-total	19**	4	11	2	0
Total	70**	25	21	17	4

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

**Two audits were deferred to 2021/22, one primary and one secondary.

12.4 The table above shows 88% of schools audited in 2020/21 returned above 'adequate' assurance ratings. This is improved performance on earlier years.

12.5 The percentage of schools receiving limited and nil assurance has been following a downward trend, no schools received 'Nil Assurance' in 2020/21. The two

schools that received 'Nil Assurance' in 2019/20 were both re-visited and were assigned 'Limited Assurance' in the current audit cycle.

- 12.6 Mazars have outlined the results of the individual school audits in Appendix A of this report.
- 12.7 For the 2020/21 school audits, a total of 81 recommendations were raised. Appendix A outlines the recommendations raised in each school audit as well as an analysis of which areas of the audit programme the recommendations related to. Most were raised under the accounting records and governance areas of the programme.
- 12.8 The number of recommendations raised has fallen significantly. This is in part due to efforts to focus the audit programme on the key controls and highest risk areas in schools. The improvement in audit assurances will also have impacted as the lower the assurance the more recommendations will have been raised.
- 12.9 Five priority one recommendations were raised in 2020/21. This compares to six in 2019/20. The percentage of priority one recommendations has therefore increased as a percentage of the overall total raised from circa 3% to 6%.
- 12.10 Key findings in 2020/21 included the following:

- Register of Interests forms have not been completed by employees / Governors;
- Governors have not provided evidence of their enhanced DBS certificate;
- No or insufficient numbers of written quotations or tenders obtained or retained for high value expenditure;
- Contracts have been rolled over for several years / waivers have been granted / have not been approved by governors;
- Purchase orders not raised for high value/routine expenditure; and
- Segregation of duties on reconciliations not evident.

13. Follow up programme for 2020/21 audits

- 13.1 In 2020/21 our approach to follow up has been updated. This year we revisited the schools from 2018/19 who still had recommendations outstanding in 2019/20, this work was performed to gain some additional assurance that the agreed actions had been implemented and is part of our added value work to support schools to achieve enhanced governance and financial control. Five schools were audited, and the results were positive for all. The two schools who had received 'Nil Assurance' in 2019/20 were revisited and full audits performed. For schools assigned a 'Substantial Assurance or Adequate Assurance' a lighter touch approach focussing on the priority one and two recommendations was deployed. Schools assigned 'Limited Assurance' were asked to engage in a more robust process of evidencing implementation of all recommendations.
- 13.2 Appendix B sets out the overall results of the follow up work completed. Letters were issued to all schools outlining the results of the follow up. There are no

schools noted where further follow up work is required. Some additional follow up for two of the schools will be completed in 2021/22 to gain additional assurance. Follow up work will also be completed for the two 2020/21 schools who received 'Limited Assurance'.

- 13.3 It is noted that of the 144 original recommendations, 122 (85%) had been fully implemented at the time of the follow up visits. This is a significant improvement on what we reported last year.

14. Training for Schools and Governors

- 14.1 The audit team worked with the Haringey Education Partnership to deliver training sessions on risk, audit and internal control. Sessions have been provided for officers (finance staff, bursars, and head teachers) over the last five financial years to further assist schools in identifying key risk areas and control processes.
- 14.2 Annually sessions are offered to assist schools in the preparation for the audits. In 2020/21 the communications that are sent to schools in advance of the audits was also updated to ensure they were more efficient to respond to.
- 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 2020/21 outcomes will be shared with the Chair of the Schools Forum and included on the agenda for the forums September meeting. In 2021/22 Mazars have introduced a newsletter for schools, this will be issued periodically and flag both audit and fraud related issues.



APPENDIX A - Mazars 2020/21 Annual Summary

London Borough of Haringey Schools Audits

Prepared by: Mazars LLP
Date: 17 June 2021

mazars

Contents

- 01 Schools Internal Audit Activity
- 02 Summary of the 2020/21 Internal Audit Plan
- 03 Benchmarking
- 04 Overall Assessment of Control and Recommendations raised

Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of London Borough of 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.

The Report was prepared solely for the use and benefit of the London Borough of Haringey and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.





01 Schools Internal Audit Activity 2020/21

Below is a snapshot of the work we have carried out in relation to schools during 2020/21.

Improved communication

To inform the updates to our audit programme, we have liaised with different areas of the council, as well as other partners in relation to school requirements:

- Finance /HR
- Health & Safety / Insurance
- Haringey Education Partnership

Audit Satisfaction Surveys

We have issued satisfaction surveys along with every final report. The feedback has been positive, with every survey returned rating the service as “Very Good” – the highest score available.

A refreshed audit programme

- During lockdown we used the time to focus the audit programme on the key risk issues facing schools
- There is more alignment to the areas covered within the Schools Financial Value Standard (SFVS)
- We participated in training sessions with governors to communicate the new programme

Common themes arising

We have compiled a detailed newsletter setting out all the findings from the 2020/21 audits, but the most common themes are:

- Governors not providing evidence of their DBS certificate, particularly where the previous certificate had expired.
- Contracts have been rolled over for several years and spend on them exceeds the thresholds for going out to tender.
- Evidence not retained to clearly show that reconciliations are prepared by one officer, and then reviewed by a second independent officer.





02 Summary of the 2020/21 Internal Audit Plan

The table below lists the 2020/21 Internal Audit Plan and a status summary for all of the reviews.

Audit	Days	Assurance Level	Direction of Travel	Total	Findings by Priority		
					1	2	3
Our Lady of Muswell Catholic Primary School	5	Substantial	➡	1	-	-	1
North Haringay Primary School	5	Substantial	➡	1	-	1	-
Tetherdown School	5	Substantial	➡	1	-	1	-
Campsbourne School	5	Substantial	➡	2	-	1	1
Woodlands Park Nursery School	5	Adequate	➡	3	-	2	1
Lancasterian Primary School	5	Adequate	➡	3	-	3	-
Riverside School	5	Adequate	➡	4	-	3	1
Rokesly Junior School	5	Adequate	➡	4	-	3	1
Ferry Lane Primary School	5	Adequate	➡	5	-	3	2



Summary of the 2020/21 Internal Audit Plan (cont)

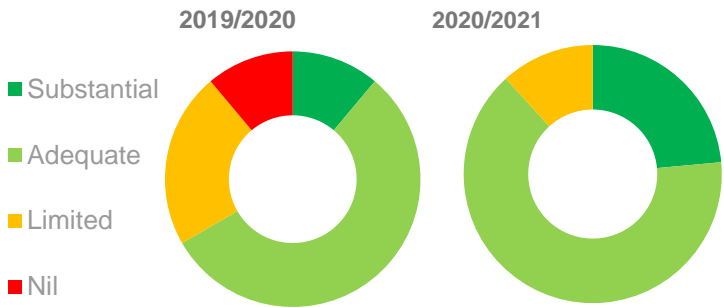
Audit	Days	Assurance Level	Direction of Travel	Total	Findings by Priority		
					1	2	3
West Green Primary School	5	Adequate	↔	5	-	4	1
St Peter in Chains Roman Catholic Infant School	5	Adequate	→	6	-	3	3
Welbourne Primary School	5	Adequate	↔	6	-	4	2
Crowland Primary School	5	Adequate	→	7	-	4	3
Belmont Junior School	5	Adequate	↔	8	-	5	3
Rokesly Infant & Nursery School	5	Adequate	↔	4	1	2	1
Lea Valley Primary School	5	Limited	→	11	2	5	4
Stroud Green Primary School	5	Limited	→	10	2	8	-
Totals				81	5	52	24



03 Benchmarking

This section compares the Assurance Levels and categorisation of recommendations made in the schools audits in 2019/20 and 2020/21.

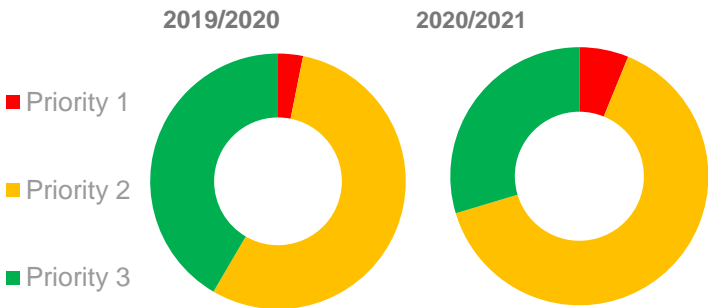
Comparison of Assurance Levels



Of the 17 audits in 2020/21, four received 'Substantial' assurance, 11 received 'Adequate' assurance, and two received 'Limited' assurance.

In 2019/2020, 18 audits providing overall assurance were completed. Of the 18, two received 'Substantial' assurance, 10 received 'Adequate' assurance, four received 'Limited' assurance and two received 'Nil' assurance.

Comparison of Recommendation Gradings



The total number of recommendations made in the year was 81. This represents an decrease of 109 from the prior year (190), however this is due to the refocusing of the schools audit programme. The proportion of Priority 1 recommendations has doubled from 3% to 6% of total recommendations raised, although the number has fallen from 6 to 5..



04 Overall Assessment of Control and Recommendations Raised

Area of Scope	Total	Recommendations Raised		
		1	2	3
Governance	35	3	20	12
School Improvement Plan and OFSTED	0	-	-	-
Budget Setting and Budget Monitoring	4	-	3	1
Staffing	8	1	5	2
Disbursement Accounting Records	28	1	23	4
Other Income	3	-	1	2
School Meals	3	-	-	3
Information Governance	0	-	-	-
Insurance and Health & Safety	0	-	-	-
Totals	81	5	52	24

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The results of internal audit's follow-up work on the 2019/20 school audits

Follow up of 2019/20 audits School	Assurance	Recommendations raised				Recommendations Implemented (Impl)				Partly Impl.	Not Impl.	N/A
		Priority 1	Priority 2	Priority 3	Total	Priority 1	Priority 2	Priority 3	Total	Total	Total	Total
Belmont Infant School	Limited	0	6	9	15	0	6	9	15	0	0	0
Blanche Neville School	Adequate	0	2	3	5	0	2	3	5	0	0	0
Coleridge Primary	Adequate	0	5	4	9	0	5	4	9	0	0	0
Gladesmore Community School	Substantial	0	2	0	2	0	2	0	2	0	0	0
Lordship Lane Primary School	Limited	0	8	6	14	0	2	6	8	1	5	0
Muswell Hill	Adequate	0	4	5	9	0	3	5	8	0	0	1
Pembury House Nursery and Children's Centre	Limited	2	6	3	11	2	6	3	11	0	0	0
Seven Sisters Primary	Adequate	0	5	6	11	0	5	6	11	0	0	0
Saint Aiden's Voluntary Controlled Primary School	Adequate	0	5	3	8	0	0	3	3	0	5	0
Saint Gilda's Catholic Primary School	Adequate	0	4	7	11	0	3	6	9	0	0	2
Saint John Vianney Primary School	Adequate	0	6	4	10	0	3	4	7	3	0	0
Saint Mary's Priory Catholic Infants and Junior School	Adequate	0	6	1	7	0	4	1	5	2	0	0
Saint Michael's Church of England Primary School	Substantial	0	1	5	6	0	1	5	6	0	0	0
The Brook Special School	Adequate	0	7	5	12	0	5	4	9	1	0	2
The Vale	Adequate	1	3	1	5	1	3	1	5	0	0	0
Weston Park Primary School	Adequate	0	2	7	9	0	2	7	9	0	0	0
Overall Total		3	72	69	144	3	52	67	122	7	10	5

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