

# **MINUTES OF MEETING Corporate Committee HELD ON Thursday, 9 September, 2021, Times Not Specified**

## **PRESENT:**

**Councillors: Peter Mitchell (Chair), Erdal Dogan (Vice-Chair), Emine Ibrahim, Mark Blake, Patrick Berryman, Scott Emery, Joseph Ejiofor and Kaushika Amin**

**ALSO ATTENDING: David Eagles, BDO, External Auditors**

### **1. 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.

### **2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)**

Apologies for absence were received from Councillors: Demir, Barnes, M Blake and Tabois.

[Clerk's Note - Cllr M Blake had provided apologies for Adults & Health Scrutiny Panel and not this meeting and joined the meeting 'in person' at 7.45pm.]

### **3. DECLARATIONS OF INTEREST**

There were no declarations of interest put forward.

### **4. URGENT BUSINESS**

There were no items of urgent business.

### **5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS**

There were no deputations, petitions or questions put forward.

### **6. MINUTES**

The following issues were raised under matters arising from the minutes and responded to.

With regards to the renaming Black Boy Lane and the number of issues raised previously by the Committee in March, it was the intention to bring a report on these issues to the November meeting of the Corporate Committee.

An update was provided on the actions undertaken since the last meeting in July and information circulated to Committee Members.

Referring to the action point on the Alexandra House purchase, the Chair updated the Committee on a further potential audit of the purchase of Alex House following discussions at the March and July meetings of the Committee.

The Chair had since read the Mazars report which covered the period from November 2018 when Workspace approached the Council to ask if the Council would be interested in purchasing the building , through to May 2019 when Workspace were informed that the Council would not be purchasing the building. The Chair had also had access to the Cabinet papers from Feb 2020 when the decision was taken to purchase the building. Having read the reports, the Chair felt it was important to take steps to respond to outstanding concerns on how the decisions were made. He set out the Committee's key role in addressing these concerns and referred to the Committee's terms of reference.

Further following up this action, the Chair advised that there would be an exempt part to the November Committee meeting to consider the Mazars Audit report on the circumstances around the workspace approach to the Council, and to consider the exempt part of the Cabinet report on which the decision was based.

The Deputy Monitoring Officer advised that Legal advice would be given to former Cabinet Members, who were now members of the Corporate Committee, on their participation, once the shape of the exempt meeting was better known in the coming weeks.

## **RESOLVED**

To approve the minutes of the meeting held on the 15<sup>th</sup> of July 2021.

### **7. DRAFT STATEMENT OF ACCOUNTS 2020/21 AND PROVISIONAL PLAN FOR AUDIT 2020/21**

The Council's Chief Accountant, updated the Committee on the Council's Draft Statement of Accounts 2020/21 and the provisional plan for the audit of the Statement of Accounts for 2020/21 (SOA).

The Committee were reminded that the final accounts could not be signed off until audited by the external auditor. The draft Statement of Accounts were currently subject to a period of public inspection which was due to end on the 10th of September.

The accounts were required to be audited by the 13th of September but given the current circumstances, post pandemic and only recent sign off of the Statement of Accounts for 2019 /2020 , the Committee were informed by the external auditors that this timescale was not realistic and achievable.

The 2020/21 draft statement of accounts did highlight that the Council performances and achievements during this year were not significantly different to the previous financial year's performance.

The external auditor continued to outline the external audit process of the Council's financial accounts and timelines for completion. They were aiming to be on site by the first week in October and would combine interim testing process with the final accounts audit in the next three months, culminating in a final report to Committee by January 2022.

The external auditor highlighted, as set out in the report, how the use of resources had changed. This was due to the new Code of Audit Practice which became effective from the first of April 2020 for the 2020/ 21 financial year.

The changes to the Annual Audit reporting and scope of work were further outlined. The Committee noted that there would be a rebadging and adjustment to the criteria to be considered. This would include the external auditor considering how the Council could seek to improve value for money activities. Also, the way in which the external auditor [ BDO ] reports to the Council would be different to previous years. Instead of providing a qualification or non -qualification conclusion, there would now be a lengthy annual auditor report. This would replace the Annual Audit letter and would be detailed reporting to cover all the criteria considered in the Audit, highlighting any issues considered. This would allow the Auditor to identify areas of weakness and set this out to the local Authority, allowing constructive recommendations from the external auditor. The Committee would be familiarised with this new way of reporting in the lead up reports, and prior to the final report .The Committee noted that due to the market conditions and pandemic , this fuller report would likely follow the January deadline.

The external auditor had been made aware of the pre -election period starting in March 2022 and would work towards issuing their report prior to this period.

In response to questions from Councillors Ibrahim, Emery, the following information was provided:

- With regards to the Comprehensive Income and Expenditure Statements on pages 39 and 40 of the agenda pack and differences in the HRA calculation, the Assistant Director for Finance advised that the accounts on page 39 were for the Council as a single entity and the accounts on page 40 were for the Council as a group holding, including subsidiaries such as Alexandra Palace and Homes for Haringey. Agreed Councillor Ibrahim follow up with an email setting out her queries on the presentation of the figures for the Housing Revenue Account to the Chief Accountant. He would further provide analysis on what makes up the balances for these accounts.
- Audit process timetable – External auditors had provided advice to MCHLG that the 13th of September was not realistic. The external auditor advised that, as a sector, they were still completing a few audits for the 2019/2020 year and very few firms had been able to complete the required interim work for the 2020/21

Statement of Account. The timeline in the report was a realistic timetable to be able to comply with.

- Considering page 143, the Pension Fund Liabilities, the contingent Liabilities and contractual commitments to the partners listed, the Head of Finance, Pensions and Treasury outlined the arrangements, investments, and commitments between the Council and Pension Fund managers for this process. It was explained that what was included in the report was the potential outstanding funds for the Pensions Managers, from these listed organisations, to seek from the Council. The content of the infrastructure investments was advised, and this related to renewable energy. This information was for noting by Corporate Committee as Pension Committee and Board had the responsibility for overseeing the Pension Fund performance and investments.

## **RESOLVED**

To note the contents of the report, the appended Draft Statement of Accounts and the above update given at the meeting by BDO LLP, in relation to provisional plan for audit of the 2020/21 SOA.

### **Reason for Decision**

None

### **Other options considered**

None

## **8. AUDIT & RISK SERVICE UPDATE QUARTER 1 (APRIL - JUNE 2021)**

The Head of Audit introduced the report, as set out in the agenda pack, highlighting that a lot of the work, for the last financial year, was finalised in the first quarter of this financial year,

In summary for all audits completed, four were assigned to substantial assurance, six were assigned to adequate assurance, and four for limited assurance. The Head of Audit continued to outline the 4 services that received the limited assurance: Health and Safety, Brokerage, IT disaster recovery and management of triage related arrangements for safeguarding. In addition, there were audits completed in four schools, with three of the schools receiving adequate assurance and one limited assurance. Fuller details on the findings of these reviews were already provided in the July report to Corporate Committee.

In response to a question from Cllr Ejiofor, schools would be audited once every four years as a minimum with some schools audited more frequently. These would likely be schools that may have been assigned limited assurance or nil assurance.

The Head of Audit reported that the number of schools getting limited or nil assurance had decreased in the last financial year. Around three years ago, there had been an

intensive programme of work from the Local Authority and audit team to help schools understand the requirements of good financial management. This guidance was continuing with meetings being held with headteachers, governors and business managers on a 6 monthly basis to continually set out the Council's expectations on financial management and use of public funds.

The Head of Audit set out the findings of the limited assurance audits and the committee noted the following:

With regards to the health and safety findings, where people were trained on health and safety , there needed to be accurate record of training and plan had been put in place to change the system with a new system expected to be implemented in December/ January. There was a good risk assessment template , however guidance was needed on how to better use the risk assessment and ensure regular review of the assessment to ensure nay key issues arising were followed up and implemented. The third area considered on health and safety was that there were a few health and safety policies in place to drive the work of the health and safety team and these needed to be refreshed.

The Brokerage team assisted both Children's Services and Adults Services with care placements. With regards to Adults service area, the risks identified related to: placement policy procedures, the need to ensure purchase orders were raised properly at the start of the assignments, the need to retain evidence for approved placements by the manager, demonstrate cost of the placement and offer an evaluation, of how, that compared with other placements. The Committee also noted that for Children's service placements there was a need to have in place: the policy and procedure guidance retention of documentation, a system of quality assurance so that when placement was made there was a mechanism to ensure that placements were to an adequate standard.

The IT disaster recovery findings related to completion of arrangements and plans for tests in the event of a disaster. The Audit Team found that plans had not been tested as well as it should have been at the time of the Audit. The additional issue had been how the IT response plan aligned to the Council's business continuity planning arrangements and need to have a priority listing of actions . The third area considered was the reporting the findings of tests back to the services so there was better connection with the service in case there was a need for the disaster recovery plan to be invoked.

In response to questions from the Chair, and Vice Chair the following information was provided:

- The areas that had received limited assurance, Audit would revisit these recommendations every 6 months with some revisited sooner, depending on the priority of the recommendation. It was noted that limited assurance areas would be prioritised for earlier review. The Annual Audit report also reflected the review of the implementation of Audit recommendations and if the recommendations are not implemented , the Head of Audit would raise concerns with the Director.

- The importance of reviewing the implementation of the recommendation on the IT disaster recovery sooner given the reliance on services for IT and taking into consideration the recent cyber-attack on Hackney Council's data system.
- The recommendations arising from the limited assurance findings of the safeguarding of Adults triage function were connected with the audit trail of how decisions are made and implemented.
- It was noted that right to buy applicants would need to complete a due diligence form which is part of the money laundering regulations. Following receipt of this information, each application would be risk assessed. Audit would then carry out an investigation on those areas with concern and request additional information from the applicants. It was suggested that the language around this be updated to reflect this with applications advised as being 'considered' instead of 'investigated.'

## **RESOLVED**

To note the activities of the team during quarter one of 2021/22.

### **Reasons for decision**

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.

### **Alternative options considered**

Not applicable.

## **9. TREASURY MANAGEMENT Q1 2021/22 UPDATE**

The attached report was for information only and the Committee were asked to note that the outlined activities were in line with the Treasury Management strategy which was approved by full Council in March 2021.

The Chair referred to paragraph 6.9 of the main report, the figure for borrowing under 12 months the figure was 14.67% and on the table at 6.11, the short-term borrowing figure was 13%. He queried why these figures were slightly different? It was explained that the figures at paragraph 6.11 were related to short-term borrowing which is under a year and these funds tended to be borrowed from the inter local authorities' market and the limit was 30%. However, in the maturity structure this included both the short-term borrowing as well as any of the long-term borrowing that the Council had taken out in previous years. Therefore, the 1.67 figure related to instalment loans that would mature this year.

**RESOLVED**

To note the Treasury Management activity undertaken during the three months to 30 June 2020 and the performance achieved which was attached as Appendix 1 to this report.

To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

**Reason for Decision**

None

**Other options considered**

None

**10. ANY OTHER BUSINESS OF AN URGENT NATURE**

None

**11. DATE OF NEXT MEETING**

16<sup>th</sup> of November 2021

CHAIR: Councillor Peter Mitchell

Signed by Chair .....

Date .....