

# **MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON TUESDAY, 24TH JULY, 2018, 19:00.**

## **PRESENT:**

**Councillors: Isidoros Diakides (Chair), Dana Carlin (Vice-Chair), Dawn Barnes, Barbara Blake, Eldridge Culverwell, Makbule Gunes, Mike Hakata, Liz Morris, Ishmael Osamor, Alessandra Rossetti, Yvonne Say and Daniel Stone**

## **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 lateness were received from Cllr Hakata and Cllr Culverwell.

## **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**

- I. The Board agreed the minutes of the meeting on 9<sup>th</sup> July as a correct record.

## **18. STATEMENT OF ACCOUNTS 2017/18 AND AUDIT FINDINGS REPORT**

The Committee received a cover report setting out the process for agreeing the Annual Statement of Accounts, which was included in the agenda pack at pages 11-16. The Committee also received an audit completion report from the external auditors, BDO, which was Appendix 2 of the report and was included in the second dispatch agenda pack at pages 3-46. The Committee further received Haringey's draft

Statement of Accounts for 2017/18 which was Appendix 3 of the report and was included in the second dispatch agenda pack at pages 47-189.

BDO introduced the audit completion report for the year ended 31 March 2018. In summary, it was noted that no significant audit risks were identified during the course of the audit procedures subsequent to the Audit Plan dated 8<sup>th</sup> March 2018. BDO also advised that they had not identified any material misstatements.

The following points were raised in discussion of the report and the accompanying appendices:

- a. The Committee were advised that BDO had some concerns in relation to journals >£50k and a lack of system (SAP) enforced segregation of authorisation.
- b. The auditors advised that on Council Dwellings, the Valuer had incorrectly applied a blanket 5% uplift to the previous valuation rather than undertake a full revaluation of 20% of beacon properties as per their agreed methodology. In response to a query, BDO advised that for 17/18 the uplift appeared reasonable however, by not applying the full revaluation to beacon properties each year there was a risk longer term of a fractional drift in the accuracy of valuations on a year-to-year basis. The Chief Finance Officer acknowledged that he was working with the valuer to address this issue.
- c. In response to concerns raised in the report, officers acknowledged that some changes would be made to the processes and controls around the updating of the fixed asset register during the year.
- d. The auditors advised that in relation to the audit area of pension liability assumptions, the actuary's IAS 19 report which uses estimates for the final 2 months of the year, had under-estimated the growth on fund value by c. £12m. The Committee was advised by BDO that this was not a material concern and that this would correct itself in the next financial year (2018/19). In response to a question, BDO advised that Haringey's share of the £12m understatement was around £9m.
- e. The Committee sought assurances around the implications of transferring commercial properties from the HRA to the General Fund. In response, the Committee was advised that any debt associated with these properties transferred from the HRA to the General Fund, and therefore the Council would be improving the headroom in the HRA borrowing cap as interest rates in the HRA would reduce. This was a revenue neutral measure overall as the Council was simply transferring funds from one area of the balance sheet to another.
- f. The auditors highlighted an improving position in relation to the collection of Council Tax arrears and suggested that the Council may have been too prudent in calculating its bad debt provision in this area. The Chief Finance Officer agreed to review the provision percentages applied and consider the impact of improved recoverability in relation to the estimate of future write-offs of uncollectable debt. **(Action: Jon Warlow)**.
- g. In response to a question about how well the Council was recovering the overpayment of housing benefit, the auditors advised that there were no material concerns in relation to this but that further work needed to be undertaken to improve recovery of overpayments. The Committee suggested that the strategy should be to stop overpayments at source rather than having

- to go through a recovery process. In response, officers acknowledged these concerns.
- h. The auditors highlighted concerns with the Minimum Revenue Provision charge to the General Fund. The Committee was advised that since 1 April 2016 the Council had adopted an annuity curve methodology rather than a straight line charge when it came to repaying the costs of financial borrowing and that this had saved the authority around £10m this year. Whilst the total sum eventually paid is the same, the concern was that the costs would have to be paid at a later date, and the Council was effectively gambling on an improved financial outlook in the future to offset these costs. The Chief Finance Officer agreed that he would continue to monitor the Minimum Revenue Provision charge going forwards. The Committee noted that this was something that a number of other local authorities had adopted.
  - i. The auditors advised that there had been a significant improvement in the Council's overall financial outturn position following a refresh of the MTFS. In response to a question, the Committee was advised that there had been significant budget re-alignments in the demand led services which had had a positive impact on the improved overall outturn position.
  - j. The Committee noted that the final version of the audit report would be issued on 31<sup>st</sup> July and this would include the management response to the audit recommendations. Officers agreed to circulate this to the Committee when it was available. **(Action: Frances Palopoli).**

## RESOLVED

- I. That the Committee considered the contents of the cover report, as well as any further oral updates given at the meeting by BDO LLP.
- II. That the Committee approved the draft Statement of Accounts 2017/18, as set out in Appendix three of the second agenda pack, 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 gave 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, as set out Appendix two of the second agenda pack; and, having heard the verbal management response to BDO LLP's Audit Findings Report, the committee agreed the management response subject to any final changes required by the conclusion of the audit being delegated to the Chief Financial Officer in consultation with the Chair.
- V. That the Committee noted that a copy of the final Audit Completion Report, containing final management responses, would be sent round to Committee members after the meeting.

## 19. ANNUAL INTERNAL AUDIT REPORT 2017/18

Minesh Jani, Head of Audit and Risk Management, introduced a report which updated Members on the overall adequacy and effectiveness of the system of internal control and risk management for 2017/18. The report also presented a summary of the audit work undertaken in 2017/18. In summary, the Head of Audit and Risk Management advised that there was an adequate level of assurance overall.

The following points were noted in discussion of the report:

- a. In response to a request for clarification on the overall level of assurance, the Committee was advised that this was a reflection of the organisation's ability to manage risks given the level of staff and resources that were available.
- b. In response to a query in relation to Osborne Grove, the Head of Audit and Risk Management advised that the initial audit resulted in no assurance being given. The subsequent audit found that whilst all of the audit points had been implemented from the previous audit, the overall assurance level remained as no assurance.
- c. In response to queries in relation to school management audits, the Head of Audit and Risk Management acknowledged that this covered both primary and secondary school audits. The Committee were advised that the Schools Audit Report would be brought to the Committee at its next meeting in September. The Head of Audit and Risk Management also agreed to look into how the audit plan compared to the previous year. **(Action: Minesh Jani)**.
- d. In response to a question, the Head of Audit and Risk Management acknowledged that of the 54 audits undertaken last year, none had received full assurance. In clarifying, the Head of Audit and Risk Management advised that the vast majority of audits undertaken resulted in limited assurance being given. The Committee noted that this was not seen as a problem, as receiving full assurance was a relatively high bar to achieve. The Head of Audit and Risk Management advised that he was considering developing a further category of assurance to better help differentiate audit projects receiving limited assurance.
- e. In response to a request for clarification on the limited assurance received in relation to the contract extension and waiver process, the Head of Audit and Risk Management advised that this reflected how well contracts were managed by the Council. The Head of Audit and Risk Management elaborated that the audit was undertaken to measure the effectiveness of processes related to contracts, waivers and extensions; and to consider the extent to which they were managed in a timely way, so that when one contract ended another was in place.
- f. Head of Audit and Risk Management confirmed that the most serious breaches that occurred last year were Osborne Grove and the two schools that received no assurance. The Head of Audit and Risk Management agreed to meet with any members of the Committee who wanted to discuss Osborne Grove in more detail. **(Action: Minesh Jani/Committee Members)**.
- g. The Committee raised concerns about schools who consistently received no assurance and queried whether a tougher stance should be taken. In response, the Head of Audit and Risk Management suggested that the Council needed to strike a balance and that the Council should adopt a broadly understanding approach. The Head of Audit and Risk Management cautioned against referring cases to Ofsted.

- h. The Committee requested that a paper be brought to the next meeting which sets out school audit issues. The Committee also requested that the Assistant Director of Schools be invited to the meeting, along with the Cabinet Member. **(Action: Minesh Jani/Clerk).**
- i. In response to a question, the Head of Audit and Risk Management advised the Committee that the audit of Looked after Children and the high cost of placements was deferred at management's request. The Head of Audit and Risk Management assured the Committee that this would be undertaken as part of the Audit Plan for 2018/19.
- j. The Committee requested an update from the Head of Audit and Risk Management at its next meeting explaining the reasons why some audits were deferred from the 2017/18 audit plan to 2018/19. **(Action: Minesh Jani).**
- k. In response to concerns raised around counter-fraud work and No Recourse to Public Funds (NRPF), the Committee were advised that the Fraud Team simply did not have the resources available to be involved with every NRPF transaction. The Head of Audit and Risk Management agreed to bring a paper to the next Committee which set out some of the issues in relation to NRPF and fraud. **(Action: Minesh Jani).**
- l. In relation to concerns about the nature of the role of the Fraud Team in Right to Buy applications, the Committee was advised that the Fraud Team's role was, in most cases, limited to checking that the mortgage was bona fide, came from a proper financial institution and that money laundering regulations had been complied with.

## **RESOLVED**

- l. That the Committee noted the content of the Head of Audit and Risk Management's annual audit report and assurance statement for 2017/18.

## **20. DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18**

Minesh Jani, Head of Risk and Audit Management introduced the report which set out draft 2017/18 Annual Governance Statement (AGS) for review and comment. The Corporate Committee was responsible for approving the Council's draft AGS as part of its Terms of Reference. In order to facilitate this, and provide information on sources of assurance from across the Council, reports had been provided on a regular basis for the Corporate Committee. These reports culminated in the production of the draft AGS.

The following points were noted in discussion of the report.

- a. In response to a question, the Head of Audit and Risk Management listed his key concerns as: The ability to implement a number of MTFs savings which had been rolled forward from last year to this year; failed school audits; late notification of issues in relation to Tangmere House; implementation of GDPR; Osborne Grove; the Joint Inspection report and updating local corporate governance arrangements.
- b. The Chair enquired whether officers felt that the Council was fulfilling the spirit of its governance functions, rather than the minimum standard required to meet compliance. The Head of Audit and Risk Management advised that the Council was meeting its duties in respect of governance arrangements, but suggested

- that the new administration could seek to expand its audit and risk management functions, to give more assurance, if it so wished.
- c. The Chair highlighted the two areas of public consultation and asset disposals, as examples of areas in which the Council had could be viewed as having been less than transparent in the past. The Head of Audit and Risk Management advised that the AGS should pick up both of these issues and suggested that systems were in place for monitoring this. The Committee noted that its predecessor had looked into the issue of asset disposal. The Committee agreed to review the previous report before undertaking any further work around the issue of asset disposals. **(Committee to note)**.
  - d. The Committee agreed to consider areas of concern, that they would like to see included on the 2018/19 Audit Plan and to feed these back to the Head of Audit and Risk Management outside of the meeting. **(Action: All)**.

## **RESOLVED**

- I. That Corporate Committee reviewed and approved the draft 2017/18 Annual Governance Statement.
- II. That Corporate Committee noted the approval timescale and processes for the draft 2017/18 Annual Governance Statement.

## **21. COUNTER FRAUD UPDATE REPORT 2017/18 - QUARTER 4**

Minesh Jani, the Head of Audit and Risk Management introduced a report which provided an update on the work undertaken by the Counter Fraud Team in the quarter ending 31 March 2018. The report was included in the agenda pack at pages 61-70.

The following points were noted in discussion of the report.

- I. In response to a query about illegal sub-letting of Council houses, officers advised that the Fraud Team worked closely with the DWP and other partners to ensure a joined-up approach to instances of fraud.
- II. The Committee raised concerns with the presence of targets in relation to counter-fraud work. In response, officers advised that it was important to have some target in order to emphasise the negative cost to the Council. The Head of Audit and Risk Management advised that there were only two targets and these related to the number of fraudulent secure tenancies recovered and the number of fraudulent Right to Buy applications prevented. The Committee was advised that the Audit Commission had calculated the average cost to a local authority from a fraudulent secure tenancy application as £18k. This figure had been used by the courts as the basis for calculating cost recovery.
- III. In response to a query, the Head of Audit and Risk Management advised that the Council no longer investigated instances of Housing Benefit fraud, as this was solely undertaken by DWP.
- IV. The Committee noted that the counter-fraud update report was produced quarterly and would come back to the Committee in due course.

## **RESOLVED**

That the Committee noted the counter-fraud work completed in the quarter to 31 March 2018.

**22. ANTI FRAUD AND CORRUPTION STRATEGY**

Minesh Jani, Head of Audit and Risk Management introduced the report which set out the Council's Anti-Fraud and Corruption Strategy. The Corporate Committee was responsible for approving the Council's Anti-Fraud and Corruption Strategy under its Terms of Reference.

The Committee welcomed the opportunity to be more involved with the formulation of the Anti-Fraud and Corruption Strategy for 2018/19.

**RESOLVED**

- I. That the Corporate Committee reviewed and endorsed the Corporate Anti-fraud and Corruption Strategy together with the appended Fraud Response Plan, Whistle-blowing Policy, Sanctions Policy, Anti-money Laundering Policy and the Anti-bribery Policy.

**23. DATE AND TIME OF NEXT MEETING**

It was noted that the next meeting of the Committee was on 20<sup>th</sup> September 2018.

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

None.

CHAIR: Councillor Isidoros Diakides

Signed by Chair .....

Date .....