

# **MINUTES OF MEETING Corporate Committee HELD ON Thursday, 15th July, 2021, 19:00**

## **PRESENT:**

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

**Attending Virtually: Cllr Mahir Demir, Cllr Alessandra Rossetti**

## **28. 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.

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

Apologies for absence were received from Cllr Ejiofor.

Apologies for lateness were received from Cllr Ibrahim.

Cllrs Rossetti and Demir attended the meeting virtually.

## **30. URGENT BUSINESS**

There were no items of Urgent Business.

## **31. DECLARATIONS OF INTEREST**

None.

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

None.

## **33. MINUTES**

The Committee requested an update around the follow-up audit of the purchase of Alexandra House. In response, officers set out that at its last meeting, the Committee received a report from Mazars into the initial decision not to purchase Alex House when the opportunity first arose. Subsequent to this, Internal Audit received a report from the external auditors around the later decision to purchase, which set out a number of areas of assurance that the Head of Audit accepted. The Head of Audit advised that he was happy to consider any further concerns raised by the Committee

and whether a further piece of audit work was required. The Chair suggested that this could be picked up outside of the meeting.

A Member of the Committee sought clarification around what issues the Chair was hoping to pursue outside of the meeting. The Chair set out that there were still some outstanding issues around the initial decision not to purchase and the decision making processes involved therein. The Chair suggested that he would like to see some further assurances that similar mistakes would not be made in the future. The Chair proposed that he would have some further discussions with officers outside of the meeting and that the issue would come back to the Committee at a subsequent meeting.

A Committee Member suggested that these concerns should be outlined in the meeting in a public forum. It was commented that the Committee had already received a report at a previous meeting, and it was suggested that the justification for a further report was unclear. The Member cautioned against other members of the Committee being seen to pursue a political agenda. The Chair reiterated his concerns around good governance and value for money and advised that the discussions he had initially suggested were merely around the scope of further inquiry. The Chair accepted the point raised about the need for any future report to come back to a future meeting and be discussed in public.

The Committee Member in question reiterated the need for decisions to be taken in the meeting and suggested that, given this was a new Committee, perhaps the initial report should be brought back to the Committee in the first instance, with questions put to officers.

Cllr Amin requested that her strong opposition to the process be recorded in the minutes along with her concerns that this seemed to be part of a political agenda.

The Chair requested that an item around a possible follow-up audit on the decision to purchase Alex House would be added to the agenda for the next Committee. **(Action: Clerk).**

## **RESOLVED**

That the minutes of the meeting held on 17<sup>th</sup> March 2021 were agreed as a correct record.

### **34. UPDATE ON STATEMENT OF ACCOUNTS 2020-21**

The Committee received a verbal update in relation to the Statement of Accounts 2020/21. At the last meeting, the Committee set out that it would like to see the establishment of a working group to look into some of the operational issues that had been raised in the external audit report on the annual Statement of Accounts. Subsequent to that meeting, the Director of Finance met with the previous Chair of the Committee and advised that officers would provide updates to the Committee on this issue instead. The Chief Accountant advised the Committee that:

- The final Audit Letter (for 2019/20) had been circulated to members of the Committee and had been published on the Council's website. In the letter, the authority received an unmodified audit opinion of the Council's accounts.
- The three areas of concern raised by the external auditors as part of the audit of the 2019/20 accounts were accounts receivables, valuation of non-current assets and uncleared balances in the suspense account.
- The concerns raised by the external auditors on accounts receivables related to bad debt provision and the fact that the basis/percentages used for this had not been amended in light of Covid. Following the auditors raising this issue, officers fed back that the provisions were adequate, and that the over-provisions made by authority in the past years will mitigate any potential impact COVID might have on accounts receivables. The officers pointed out that as at the said time, no one could have reasonably estimated the impact of COVID. Subsequent to this, Finance officers had been working with services to go through every account receivable in detail to ensure that there was adequate provision in the 2020/21 accounts and that the impact of Covid was accurately captured. There were also some concerns raised by the auditors about the documentation of basis of the provision made. Officers advised that, since the audit report, the basis of provision made have documented in preparation for the audit of the 2020/21 accounts.
- The valuations of non-current assets related to plant, property, and equipment, as well as investment properties. The key areas of concern were:
  - A specific property that had been transferred and still appeared in the books
  - Errors in the valuations of gross internal areas of schools and other buildings.

Officers advised that the readjusting to the new ways of working due to COVID led to the final accounts team not picking up on the disposal of the Laurels that took place just 3 months before the lockdown. This was however, picked up before the audit started and corrected it but auditors still had to report it as it was corrected after the draft account was produced.

On the error relating to gross internal areas, officers advised that these were usually spotted once we receive the data from external valuers. That these are usually corrected by physically visiting and remeasuring. This did not happen in this case due to COVID restrictions. Officers advised that in response to the issues highlighted with valuations, the authority had procured a system which would capture all of the Council's assets correctly and that an officer had been recruited who would be reviewing all the information/measurements we have and accurately capture all of the internal areas on Auto-CAD.

- The third key area of concern raised by the auditors related to historical balances that had not been cleared from the suspense account. Officers advised that these takes time as one needs some time to understand and trace where they came from and that they were working with individual services to go through each of these in turn. Since audit completion in April, Finance had cleared £467k from a total of around £750k in uncleared balances. Going forwards, Finance officers would be going through errors in account codes with the services on a month-by-month basis to clear the accounts.

2020/21 SOA

- The government had extended the deadline for the sign-off and publishing of the 2020/21 draft set of accounts to 1st August. Officers advised that they were on target to meet the deadline for finalising and publishing the draft accounts.
- The Audit of the accounts needed to be finished by 30<sup>th</sup> September.
- In preparation for the audit, officers were currently undertaking technical reviews of high value transactions to ensure the reporting meets the latest CIPFA guidance, as well as completion checks on the accounts and evaluating transactions carried out after year end.
- Officers advised the Committee that they hoped to have a first draft of the accounts available the following week and that the draft accounts would be published in the week commencing 26<sup>th</sup> July. A report on the draft 2020/21 accounts would be brought back to the Committee at its next meeting. **(Action: Kaycee Ikegwu).**

The Committee noted that the update from officers was difficult to hear at points due to poor audio quality. The Committee asked if officers could circulate a written briefing on the update outside of the meeting. **(Action: Kaycee Ikegwu).**

In response to a question, the Chair advised that the reason that a verbal update was provided at this meeting rather than a report was because of the extended deadline for publication of accounts falling after this meeting and that officers would bring a report to the following meeting instead.

### 35. TREASURY MANAGEMENT OUTTURN 2020/21

The Committee received a report which set out the Council's Treasury Management activities and performance in the year to 31<sup>st</sup> March 2021, in accordance with the CIPFA Treasury Management Code of Practice. The report was introduced by Tim Mpofo, Head of Pensions and Treasury as set out in the agenda pack at pages 15-29. The following arose during the discussion of the report:

- a. The Committee sought clarification around the outlay on lending to third parties and what the payback rate was. The Committee also sought reassurances around how this compared to other boroughs. In response, officers advised that Table six of the report set out the outlay to third parties, these included other local authorities and some local charities. The biggest balance was £49.3m to Alexandra Palace, which was largely historical. Officers advised that they did not have information in relation to how this compared with other local authorities about agreed to provide this information in a future update to the Committee. **(Action: Tim Mpofo).**
- b. The Committee sought clarification around the government's plans to set up a UK Infrastructure Bank, with money available for carbon net-zero projects and whether the Council would be looking to apply. In response, officers advised that the bank had just been set up, with £4 billion specifically earmarked to local authorities. Officers advised that an initial review of these proposals had been undertaken and would continue to be monitored going forwards. However, the borrowing costs were comparable to existing loans from the PWLB, but the bidding process would impact the flexibility needed to fund the

capital programme. In addition, there was a limit of a £5m on the value of loans, which was quite small in comparison to the total value of the capital programme.

- c. The Committee sought assurances around the borrowing costs being significantly less than the budget for those costs. In response, officers acknowledged that there had been less activity on borrowing within the HRA and that no long term loans had been taken out on the HRA this year. Borrowing on the HRA and General Fund was dependant on cashflow needs and that the borrowing rates for shorter term loans had resulted in the Council needing to take out less long term borrowing. There had also been other opportunities within the GF to make sure that the authority was not overpaying on borrowing costs.

## **RESOLVED**

That the Corporate Committee:

- I. Noted the Treasury Management activity undertaken during the year to 31st March 2021; and the performance achieved which was set out in Appendix 1 of the report;
- II. Noted that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

## **36. ANNUAL GOVERNANCE STATEMENT 2020/21**

The Committee received a report from the Head of Audit and Risk Management which set out the draft annual governance statement (AGS) relating to the 2020/21 financial year, for review and approval. The report was included in the agenda pack at pages 31-64. The following arose during the discussion of the report:

- a. In response to a question around who was responsible for reporting data breaches, officers advised that as part of the GDPR regulations, it was the Council that was responsible for assessing the severity of any breaches and, if necessary, reporting them to the Information Commissioner. In response to a follow-up, it was noted that HfH had systems in place to monitor and report their own data breaches and that those were not included in the report, notwithstanding the corporate services that HfH commissioned the Council to undertake on its behalf.
- b. The Chair sought clarification as to whether the table on page 56 should read 6<sup>th</sup> June 2021, rather than 6<sup>th</sup> June 2020. Officers confirmed that this was a typo and should read 2021. The Chair commented that, in which case, it did not appear that much progress had been made in relation to moving leaseholders out of the two blocks on Broadwater Farm. In response, officers advised that there were a small number of leaseholders who were not willing to relinquish their leases, which had caused significant delays. The local authority was looking into alternative courses of action to acquire those leases.
- c. In response to a follow-up question around whether this would impact the purchase price, officers advised that they would ask colleagues in the housing service to provide a written response on this. **(Action: Minessh Jani).**

## RESOLVED

- I. That the Corporate Committee reviewed and approved the draft 2020/21 AGS attached at Appendix A of the report.
- II. That the Corporate Committee noted the approval timescale and processes for the draft 2020/21 AGS.

### 37. ANNUAL INTERNAL AUDIT REPORT 20/21

The Committee received a report which sought 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. The report fulfilled the relevant statutory requirements of the 2017 UK Public Sector Internal Audit Standards; the 2017 Local Government Transparency Code; and the Committee's own Terms of Reference. The report was introduced by Minesh Jani, Head of Audit and Risk Management, as set out in the agenda pack at pages 65-101. The following arose as part of the discussion of the report:

- a. The Committee noted that an adequate assurance rating was given overall, which was the second highest level of assurance. 13 audits received limited assurance and there were no instances of audits being assigned a nil assurance rating.
- b. The Committee sought clarification as to whether there was any link between the key issues highlighted with the audits carried out within the Council and those carried out in relation to schools. Officers advised that, although there may be similar issues involved, these should be treated as separate and that the report at Agenda Item 12 on the Annual Schools Audit would set out the key issues in relation to schools in more detail.
- c. The Committee sought clarification on why the IT change management follow-up audit on page 85 did not receive an assurance rating. In response, officers advised that this part of the report summarised the audits carried out by Mazars and that some of these audits were not assurance related works. Not all of the audits undertaken required an assurance rating, such as if the audit related to the implementation of a new system or if management requested an audit as they knew there was a specific problem. The Committee were advised that the IT change management follow up audit was not assigned a separate audit score to the initial audit score as it was reviewing the extent to which the recommendations from the earlier audit had been implemented. The other two audits in this section of the report without assurance scores were, the Early Years audit and a CCTV audit. In both of these instances, the audits were requested by management following a series of issues raised by complainants and were not assurance related pieces of work.
- d. The Committee sought clarification on the statement in the report at paragraph 3.11 that 'the action in relation to school audits in the Annual Governance Statement had been closed'. In response, officers advised that because so many schools received low levels of assurances last year, that this was significant enough to warrant inclusion in the AGS as an area of concern. Because there had been an improvement in this area, it was no longer felt necessary to include it in the AGS. Officers assured the Committee that school

- audits work would continue throughout the year and that a robust process of monitoring would be maintained. In response to a follow-up question, officers confirmed that if performance in this area were to drop again, it would be added to a future annual governance statement.
- e. In response to a question, officers confirmed that inclusion within the audit plan did not mean that something untoward had taken place, just that the risks were not being managed to a level that provided surety that adequate checks and balances were in place, or that the Council been exposed to a risk that had raised a control issue.
  - f. The Committee sought assurances around what could be done to improve performance, where schools were not meeting the standards required to receive a satisfactory assurance rating. In response, officers advised that they were working with schools to improve audit scores and that at least twice a year training and advice sessions were organised and schools who were due to undergo an audit were invited to come along and take part. Officers confirmed that attendance at these sessions was good. In relation to a follow-up question, officers advised that from an audit and financial control point of view, school governing bodies were also offered training by the Head of Audit and Risk Management's team, which took place biannually and was generally well attended.
  - g. In response to a question, the Committee was advised that arrangements for letting contracts related to letting of contracts for goods and services, rather than letting of commercial properties. The Committee was advised that 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.
  - h. In relation to concerns around limited assurance scores in procurement areas, and the fact that the direction of travel for the audit of contract waivers had not improved; the Committee sought assurance around how often these were audited. Officers acknowledged that procurement was a high risk area and that there was usually 30-40 days in the audit plan allocated for different areas of the procurement cycle. A review was planned for later in the year around procurement as a whole, to investigate some of the reasons behind the limited assurance scores and what could be done to improve these.
  - i. In response to a question, officers advised that management had agreed to all priority 1 recommendations and the timescales for implementing these at the point in which the recommendations were agreed, so the Head of Audit was not concerned about the resource implications of this as management should highlight any resource concerns before agreeing the recommendations.
  - j. The Head of Audit acknowledged the need to improve the process of following up on audit recommendations and advised that he would be exploring ways to improve capturing quality assurance for Priority1 recommendations and their progress in quarterly assurance reports, as well as trying to improve the organisational understanding of Priority 1 recommendations more generally.
  - k. In response to a question around the fact that the report outlined that Haringey had fewer audit days than many other London local authorities, the Head of Audit advised that Haringey was in the lower quartile two to three years ago but that some changes had been made to resourcing within the team and the Head

- of Audit confirmed that he was happy with the level of resource that was currently available in the audit plan. The Head of Audit advised that he would continue to monitor the situation going forwards.
- i. The Committee raised concerns around the fact that there were targets in place for tenancy fraud and the idea of incentivising prosecutions for tenancy fraud. In response, officers highlighted that the purpose of the target was to provide structure and some form of performance management for the fraud team. Officers acknowledged the concerns raised by Members around this but also set out that tenancy fraud was one of the largest areas of fraud, as was regularly demonstrated from national intelligence gathering exercises. It was an area of focus for local authorities because of the amount of intelligence available about how widespread an issue this was.
  - m. The Committee suggested that there was an issue of proportionality, with illegal sub-letting at one end of the scale and people on the housing waiting list failing to notify the Council about a change of circumstances, perhaps as a result of a language barrier, at the other. In response, officers advised that this was not about pursuing people on the waiting list, but rather those who had obtained housing dishonestly through misleading the authority that they were entitled to housing when they were not, or through using a property in a manner that was not what it was provided for.
  - n. In relation to gas meter safety visits, officers advised that if there was reason to suspect illegal subletting, then a fraud officer would accompany others during a visit to ensure that the person residing at the property was who it should be.
  - o. In relation to a question around No Recourse to Public Funds, officers acknowledged that Covid was likely to be a significant factor to why there were higher numbers of referrals for this year over the previous year. The Committee suggested that Brexit would also have had a significant impact.

## RESOLVED

That the Committee noted the contents of the Head of Audit & Risk annual audit report and assurance statement for 2020/21.

## 38. AUDIT & RISK UPDATE

The Committee received a report which detailed the work undertaken by the in-house Audit and Fraud team as well as Mazars, for the quarter ending 31 March 2021. The report was introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 103-116. The following arose during the discussion of the report:

- a. The Committee sought clarification around waivers to Contract Standing Orders and how often these were used. The Committee specifically queried which contracts these had been used for, how often they were used and whether this had resulted in extra costs as a result. In response, the Head of Audit advised that he would ask the service to provide a written response on this. **(Action: Minesh Jani)**.  
The Head of Audit advised that during the process of auditing the Procurement service, it was apparent that the two main reasons for seeking waivers were

because of the need to procure something quickly or in instances where a contractor had a particular speciality.

**RESOLVED**

That the Corporate Committee noted the activities of the Audit and Fraud team during quarter four of 2020/21.

**39. ANNUAL SCHOOLS AUDIT REPORT - 2020/21**

The Committee received a report which set out of the outcomes of the 2020/21 schools audit programme and the follow-up of 2019/20 audits carried out in 2020/21. The report was introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 117-131. The following arose during the discussion of the report:

- a. The Committee sought assurances around the progress on the implementation of recommendations from school audits and whether these were being followed up on. In response, officers confirmed that they were.
- b. In relation to page 131, the Chair queried the fact that the assurance levels remained the same for the following year except for the Brook special school. Officers advised that the assurance level stated in the table was the assurance level assigned during the original audit and that assigning a new assurance level was not part of the process of following-up on the audit recommendations. Officers agreed to make that clearer in future reports and would also look at the assurance rating for the Brook, as the change in assurance rating was clearly an error.
- c. The Committee sought assurances around the impact of Covid and whether officers had effectively lost a year of school audits. In response, officers advised that they had been able to carry out all but two of the scheduled audits and that these two had been rolled into the current year's audit plan instead.

**RESOLVED**

That the Committee noted the report.

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

None

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

9<sup>th</sup> September

CHAIR: Councillor Peter Mitchell

Signed by Chair .....

Date .....

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