MINUTES OF THE AUDIT COMMITTEE HELD ON THURSDAY, 21 SEPTEMBER 2023, 7:00PM – 9:25PM

PRESENT: Councillors Mary Mason (Chair), Eldridge Culverwell, Ajda Ovat, Kaushika Amin, Cathy Brennan, Ibrahim Ali, Alessandra Rossetti.

1. FILMING AT MEETINGS

The Chair referred to the notice of filming at meetings and this information was noted.

2. APOLOGIES FOR ABSENCE

There were none.

3. URGENT BUSINESS

There was no urgent business.

4. DECLARATIONS OF INTEREST

There were none.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were none.

6. MINUTES

RESOLVED: That the minutes of the meeting on 20 July 2023 be agreed and signed as a correct record.

In relation to the Action Tracker, members queried the contracts and frameworks list. The meeting noted that the procurement systems the Council had at the moment were not fully operable as of yet. Internal audit had carried out a number of reviews around procurement sites. A number of the reviews that that had been carried out had been assigned limited assurance. There were concerns about the operational procurement activities in the organisation. They could relate to issues like how contracts were let. For example, consideration needed to be given to when the Council let contracts and if the Council would be satisfied that it was getting value for money through the number of bidders. Contract management and how the contract register was maintained had also been examined. These three areas had all been assigned limited assurance.

Haringey
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The formally constituted Corporate Committee received a presentation from the Head of Procurement in September 2022, which was where the actions first arose. At that meeting, the Head of Procurement explained that he wanted to make changes and that those changes would take time including the need for replacement for IT systems that the Council used. Councillors' comments would be raised by the Head of Procurement and he would be asked to review his comments in light of councillors suggestions to see if it was possible to get a rough estimate so that some clarity could be attained regarding the number of tenders that went through. Depending on the threshold of the value of the contracts, the Council was required to follow up the process. It was important for the procurement team to have that information available to them as well. There was large element of work that was ongoing at the moment in terms of what needed to change. It would be helpful to invite the Head of Procurement to the next meeting to give an update on progress.

Members expressed that, as it sounded like the work that procurement had to complete would take a long time, it would be ideal for the Committee to receive a rough estimate sample from different dates, so that the Committee could get an idea of processes in place and where the risks still lay.

Organising members' training on the right to buy process would be followed up and an update would be provided to the Committee.

The Committee asked for an update on Temporary Accommodation including the cost of Temporary Accommodation at a future meeting.

The meeting felt It would be useful to receive a report on risk management strategy which included an update (or a risk management strategy) on leisure services by the next meeting. The meeting heard that these two matters were separate. The former matter was around the Council's policy and process for dealing with risk and for the identification of the key risks in the organisation. The Council had appointed a company called Zurich Municipal who were the Council's our insurers to help the Council review its current arrangements. This would examine how effective the policy and framework for managing risk was and to also help develop risk registers at the directorate and corporate level so that the Council had a good view of key risks in all the services at the corporate level supported by a strong framework of risk management of the organisation. Once the work was finished, it would be possible to bring the outcome of that to the Committee. The Committee would then have the visibility of the risks that had been identified and the framework that underpinned how those risks could be managed. Although there were risk registers, there was more the Council could do to bring the risks more in line with what current risks were and to think about what risks were oncoming.

The Chair felt it would be useful to have an update regarding the matter at each meeting and it may be useful for the Committee to examine the risk register.

In relation to leisure services, a request to the service had been made to help create the risk register. There had been recent developments in terms of how the leisure service was progressed but another request could be made again to provide an overview of what residual risks remained.

7. TREASURY MANAGEMENT UPDATE REPORT - Q1 2023/34

Mr Tim Mpofu, Head of Finance, presented the item.

Members queried the report and asked questions. In response to questions, Mr Mpofu and Mr Kaycee Ikegwu, Head of Finance (Housing and Chief Accountant) provided the answers to the queries.

- A query was raised regarding paragraph 6.13 which noted that a significant capital programme which extended into the foreseeable future and a large portion of this would need to be financed by borrowing. With the cost of borrowing having increased, it raised a question of checks or risk management being in place to ensure that there was an appropriate balance and if the high interest rate and uncertainty put that balance at risk. In response, the meeting heard that there were various times in the economic cycle where there could be opportunities to take advantage of lower rates. When the Treasury strategy was set, the target rate at the time was at 4.5% and it was assumed that any new borrowing would be at that rate. There were times when it was possible for the rate to fall below 4.5%, creating an opportunity to borrow whilst still being within budget. The maturity structure displayed on page 24 of the agenda papers showed the spread of risk of when loans needed to be refinanced and provided an opportunity to take advantage of the different maturity structures. The Council would assess how risk could be spread over time and will keep in touch with the Treasury advisor who would advise on rates. During times of economic uncertainty, it was not always the case that rates continued to increase as there were occasions when there could be a downward movement. In such circumstances, actions would be taken wen borrowing to ensure that the Council would be able to stay within its budget. Various efforts were being made such as ensuring that cash balances remained healthy so that there would not be an over-reliance on borrowing whilst attempting to provide certainty on what the cost of any borrowing would be. The main difference was that the cost of borrowing was originally at 2% and was now at 4.5%, which was higher, but was within the MTFs guidelines.

- A query was raised regarding capital projects, particularly, long-term capital projects and the appropriateness of determining which capital projects should go ahead. In response, the meeting heard that for general fund capital schemes to progress, there was an overall model of capital programmes set at the beginning of the year in line with the borrowing strategy. The schemes would be expressed with assumptions, costs and level of borrowing. Any scheme that did not meet those viability tests were not included in the programme. A scheme generally would not progress if viability tests were not met. From a Treasury perspective, it was important to advise on what the cost would be and anticipate the trajectory of interest. In light of the economic conditions this year, the assumption had been raised to 5% for the general fund capital schemes. Business case implications were always being discussed and considered on an ongoing basis.

- A further query was raised regarding the table outlined on paragraph 8.9 of the appendix regarding how to navigate short-term borrowing as the Council would have to rely on borrowing for a longer period of time than usual. The table outlined in 8.9 of the appendix which had a target of 30% on short term borrowing had been set out in previous years. In normal circumstances, there was an upward moving slope so that borrowing short-term was cheaper than borrowing long-term. During the course of this year, in the last few months, borrowing short term had become more expensive than borrowing long term. Therefore, it was unattractive to the Council to borrow short-term (anything under a year) as this would be more expensive. A 50 year loan would still have a 50 year interest payments that would need to be paid, but a one year loan would usually meet the target rates so the Council was attempting to strike a balance in the portfolio. The short-term rates allowed for flexibility and if the macroeconomic conditions were to change, then it would be possible to use some of the short-term lending as maturity to refinance a lower maturity borrowing.

- Members noted section 4.8 of the appendix which stated that £35.5 million worth of loans was allowed to mature without immediate replacement and queried how a decision was made not proceed with a project if it was found not be financially viable. In response, the meeting heard that when schemes were set, part of the scheme set-up included standard requirements. There were also other things that could allow a scheme to go through, such as grants from government and borrowing. Once that was brought together in the aggregation, this would be when a capital programme was created. There was also a capital finance requirement. This was the aggregate of the borrowing requirements of all the individual schemes. From a maturity perspective, the borrowing was done for the aggregate. The table shown on paragraph 3.1 of the appendix displayed the total requirements for the Council to borrow to be at £1,169.5 billion, but the Council only externalised £783 million of the borrowing. There was still a gap of £300 to £400 million that would need to be filled in over the time period. The Council was not borrowing extensively because the Council had a cash requirement for cash flow purposes. This was about £50 million. Instead of taking £300 million and pay rates on it, the Council preferred to be more flexible and take opportunities when borrowing becomes more efficient for the Council.

- A query was also raised regarding if the Council's financial viability assessments could be improved. In response, the meeting heard that it was possible to improve financial viability assessments. The Council reviewed the individual schemes collectively and quarterly updates were completed on the viability models. Updates were also completed on various areas such as housing.

- Members noted that other local authorities were in considerable financial difficulty and wished to query if there were differences between the process occurring at those boroughs different to the processes at Haringey and the size of the risk. In response, the meeting heard that it was a difficult financial time for many local authorities with funding having been reduced for the last few years. Some of the issues that had occurred in other local authorities was different in comparison to Haringey. In some cases, there had been budgetary issues or other unexpected events. In the case of Birmingham City Council, there had been a legal case that had brought trauma to the budget and this could be something that was relatively difficult to predict. There was also an IT implementation issue. Other local authorities had issues with their capital programs which had not been appropriately provided for. The Council was reviewing its own internal processes to ensure that such issues did not occur. It was also important to ensure that the governance structure at the Council was robust and to ensure that officers were held to account.

At this point in the proceedings, the Legal advisor to the Committee stated that although local authority finances were audited, some of the auditors did not pick up on some of the issues. The statutory officers such as the chief executive, director of finance and monitoring officer were very important and, in some cases, in other local authorities, the advice given to them had not been taken. There also had been problems with statutory officers feeling that they were unable to express their concerns.

- A query was raised regarding the re-profiling of council programmes in the current economic situations, particularly if a scheme was several times more expensive than originally assessed. In response, the meeting heard that such conversations were in progress and that there would be a review of the capital program at the next Cabinet meeting. There had been a change in the in-year interest rate assumption. This was not something that was done usually but changes in perceived risk needed to be taken into consideration. This was now at 5.5% and all the schemes were being reassessed based on that rate.

- A query was raised regarding learning in general, partly due to the constant change in the economic climate. In response, the meeting heard that there was always opportunities to learn, especially where there had been observed failures from other authorities. Effort was always placed into risk management and mitigating risks where possible.
- A query was raised regarding price increases in a scheme which had already started, in particular if a scheme would be stopped once it had been started. In response, the meeting heard that any works being carried out on schemes would take into account the rate up to 5.5%. If the rate increased past 5.5%, consideration would need to be given regarding the work being carried out. However, this had not previously happened in the immediate past. All efforts were made to ensure that costing for any scheme would be evaluated correctly

RESOLVED

1. To note the treasury management activity undertaken during the quarter to 30 June 2023 and the performance achieved attached as Appendix 1 to the report.

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

8. INTERNAL AUDIT PROGRESS REPORT 2023/24

Mr Minesh Jani, Head of Audit and Risk Management, presented the item.

The meeting heard that:

- There were some specific aspects relating to the service in the recommendations that had been raised in respect of the “Limited” assurance assigned to the Community Alarms, but there are some commonalities as well.
- Regarding the performance management regime, a lot of the Council’s services, especially our social care function services, focused a lot on the delivery of service to residents. Many of whom were known to be vulnerable and relied on the Council. There was a level of trust that went into the delivery of that service. One of the things that had been found was that regime for an analytical process monitoring how well the service was performing at any moment was not always built into the provision of the service. The general focus was to deliver the service to the best standard possible and this was taken on trust. When the auditors carried out their tests, they had not found too many issues with how the service was being delivered, but did find that the measure of how it was being done was not in place. Although there was some specific focus on certain services, there were some generalities that could be taken away and applied to other aspects.
- In relation to the charging policy, auditors did raise an issue that there should be more clarity around how this was done, but there were no instances found where the opposite was true. For example, people were paying when actually they should have

been eligible for a discount or no payment was needed at all. There seemed to be quite a robust process for assessment. If people believed that they may be entitled to some exemption, then a working process was in place. However, this should be fully documented and tested to make sure that the Council was not doing something out of step with management wishes.

- In relation to service design, it was important to note that in the Annual Governance Statement, in the introduction, a lot of time was allocated to how much the Council wanted to change, how the services were considered and the provisions that needed to be provided and how the Council engaged with communities, including listening to communities. This was now an integral part of how the organisation wished to proceed.
- The purpose of the report was to give members an opportunity to see what had been finalised and the work that the auditors had started at the various stages. If the report was at the draft stage, management responses would be expected within two weeks and sometimes this could get extended, particularly during the summer, but the process involved auditors issuing a report with management responding within two weeks and then, if there was a question or queries around the content, it would contribute to the final version of the report. If there were any specific audits that the Committee wished to ensure were progressed, then an attempt could be made to bring those to the next meeting.
- The report outlined audits at the “terms of reference” issued at the planning stage. These were audits where the auditors had been in discussion with management of what the key areas of risks were and produced a document (or a planning document) as a terms of reference. This set up what actions would be taken. This was the first stage of the audit. This then progressed to field work which was when the system was tested. Once this was finished, a draft report was produced. The draft report was then sent to management to allow for any identification of differences of opinion. The report included recommendations for improvement. Management would then be able to provide their comments. Once this was completed, the final report was produced and brought to the Committee.
- Mazars had their auditors carrying out the relevant audits. The issue with commercial property was a point of focus due to the “Nil” assurance attained on the previous examination. There was an expectation that actions had been taken to improve controls. Another point of focus was in relation to contract management, Mr Jani was happy to go and speak to Mazars about certain key reports to see if it was possible for the reports to be finalised by the November meeting. These would be for sheltered accommodation, commercial property and contract management.
- In relation to adaptations specifically, the analyst services was on the audit plan for this year. It had not got to a point where it had been planned in (they had not received a terms of reference yet).
- In relation to lettings, the audit was either on the path to being completed or had been planned to be completed. Further clarification would be provided in due course. The audit plan was not fixed from the start of the year and changes could be made to it if certain important areas were to become more apparent in importance.
- Members agreed to bring forward a new audit on temporary accommodation, lettings and allocations. Voids was part of a different directorate but was worth detailing.

- Work being done regarding moves from voids to lettings.
- Voids may be in the plan for this year and a query would be made to check this.
- Some work was in progress regarding putting more governance in place for housing.
- There were two separate audits regarding parking. One was a post-implementation review of the parking system. The purpose of this was to learn lessons from the implementation which had not gone as well as it should have and led to a number of issues. Another audit was looking at the arrangements the Council had for permits as issues had been identified this area. Receipts would be obtained for the permits issued and there was also an anti fraud aspect to the process as it was suspected that some of the permits were being sold by individuals. Papers regarding this would be submitted to a future committee.
- Leisure services was on the plan, but it had not yet advanced to the planning stage.

RESOLVED:

To note the audit coverage and follow up work completed.

9. ANTI - FRAUD & CORRUPTION PROGRESS REPORT 2023/24 - QUARTER 1

Ms Vanessa Bateman, Deputy Head of Audit and Risk Management, presented the item.

The meeting heard that:

- There was a commitment to having a dedicated team for housing resources, so when other priorities came to light, the team working on housing resources would not be affected.
- The Blue Badge project would bring an income stream into the team which would enable an increase in resources. Sanctions would be applied for blue badge frauds. However, the objective of the fraud strategy was to reduce and deter fraud. Some of the income stream would be reinvested into housing.
- A considerable amount of work was being done with Housing and the Housing Improvement Plan. The team had a lot of cases and referrals, but they were not all subletting fraud cases. The team had ended up with a lot of issues regarding processes that simply were not working efficiently. Ideally, these issues would not be passed to a fraud team, but resolving the issues would help with progress generally and a lower housing caseload.
- Part of the work involved trying to help ensure properties that should be void and should be in the list to be worked on were visible, properly accounted for and were in the plan to be completed. This work spanned over into the audit territory. The outcomes were being tracked and it was anticipated that some fraud would be found. There were a number of properties that had been identified as void, but there were also properties that may be void that the Council were not yet aware of. An exercise had been done about two months ago, where the Council data matched Council tax records with property records to help identify these. A list was passed with housing so they could visit the properties. An update could be brought forward for the next meeting.

- As there were issues with staffing, it may be a good idea for the Council to have a trainee role being developed in the fraud area.
- Cases of fraud were higher than previous years. The Council had a good network of people that it consulted. This allowed staff to proactively seek to understand where the frauds might be occurring and then attempt to devote resources to it. Any services the Council offered had a potential to be subject to fraud. It was important to have the right controls in place to strengthen system processes and data use. The Council would take every step to take full action in cases of fraud, including prosecution. This responsibility fell upon the Council as a whole.

RESOLVED

To note the activities of the team during quarter one of 2023/24.

10. DRAFT STATEMENT OF ACCOUNTS 2022/23

Mr Kaycee Ikegwu, Head of Finance (Housing and Chief Accountant), presented the item.

- A query was raised regarding page 68 of the agenda papers which appeared to indicate that the HRA section had a net expenditure of in 2022 compared to net income in 2023 and it was not clear why there was such a large difference. The meeting heard that the table displayed on that page only shows the net cost of services provided. However, to understand the accounts better, the HRA section provided a clearer picture of the two years as it highlights adjustments between accounting basis and funding basis. HRA was a balanced account. The way that the Council set up its HRA is such that should balance at the end of the period. Within the balancing of the account, there was a listed revenue contribution to capital usually called HRA 'surplus' and there was always an expectation of a revenue contribution which was used to fund the capital programme. If the HRA was unable to generate this revenue contributions, then there would be an issue with the HRA viability The Council had set a minimum of £8 million year on year. If one was to examine the budget set and the HRA plans that were brought every year to Cabinet, it would show that it ensured that the borough maintained a minimum of £8 million. This provided financial resilience. If there were changes in the interest rate, the Council would be able to react because it had a larger cushion. The contribution would go back into funding capital programmes.
- Members queried a report that had been submitted to Cabinet which had stated that the Council's reserves were lower than average and queried what the plans were to improve upon it. In response, the meeting heard that, in relation to other boroughs, the Council reserves was in midpoint (it was not as high as some boroughs, but not as low as other boroughs). Every year, the Council tried to maintain a reasonable reserve. It must be noted that doing so was difficult at present time. Part of the Project Fortnight Programme was to look at the Council's position and come up with ideas on how it will improve its financial position. This was an ongoing process through different service areas. The Council was doing a lot to ensure that, at the very least, it was able to maintain the reserves that it had. The borough did not take too many risks and often found alternative solutions when required. Details of what the Council was doing would come as part of the paper scheduled to be presented to Cabinet in December 2023.
- A query was raised regarding debtors for local taxation and how this would be expected to increase. Members enquired as to how this could be better managed. In response, the meeting heard that measures were being sought to improve debt

collection as a whole going forward. The effect of the income had been built into the current MTFS projections.

- Members enquired about page 58 of the agenda papers which contained part of the narrative report and enquired about the apparent inconsistencies regarding increases and decreases. In response, the meeting heard that the report was highlighting that the net increase in asset is as a result of increases in values of assets and decrease in long and short term of which the net effect was an overall increase. It was agreed that the presentation of tis needed to be reviewed.
- Members noted that the index which examined multiple deprivation was important to consider. It was important to move away from the thinking that the deprived areas were all in Tottenham as there was an implication about how the Council viewed the borough as a whole. It was important to bear in mind that areas around Wood Green were are of high multiple deprivation and very similar to other areas in Tottenham. For example, there were people who had been moved into hostels in Muswell Hill. It was important to take consideration when considering the narrative of the east of the borough against the narrative of the west of the borough.
- The meeting enquired regarding overpayments, such as for housing benefit (HB) (£26 million) and parking (£24 million) and enquired how the overpayments that had been made would be addressed. In response, the meeting heard that HB overpayment arose based on various reasons. The overpayments were considered as a debt as some residents were overpaid and the Council would seek to collect the money from subsequent payments. This was why it appeared in the report as a debt. The was some acknowledgment that the debt may not be recovered. Directors were aware of the problem and work was being done on the issue to ensure overpayments did not occur. Further information could be provided to the Committee at a future meeting.

RESOLVED:

To note the contents of the report and the appended Draft Statement of Accounts.

11. NEW ITEMS OF URGENT BUSINESS

There were none.

12. DATES OF FUTURE MEETINGS

The date of the next meeting was scheduled on 16 November 2023.

CHAIR: Councillor Mary Mason

Signed by Chair ………………………………..

Date …………………………………