

# **MINUTES OF THE AUDIT COMMITTEE HELD ON THURSDAY, 7 MARCH, 2024, 7:00PM - 9:25PM**

**PRESENT:** Councillors Erdal Dogan (Chair), Kaushika Amin, Cathy Brennan, Mary Mason and 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**

Apologies had been received from Councillor Ajda Ovat and Reene Deba.

Councillor Eldridge Culverwell joined the meeting online.

## **3. URGENT BUSINESS**

There was no urgent business.

## **4. DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

There were none.

## **6. MINUTES**

RESOLVED:

That the minutes of the meeting held on 18 January 2024 and 14 December 2023 be agreed and signed as a correct record.

## 7. STRATEGIC ASSET MANAGEMENT AND PROPERTY IMPROVEMENT PLAN (SAMPIP) UPDATE

Mr Jonathan Kirby, Head of Asset Management, introduced the report.

The meeting heard that:

- Within the body of the report, under sections 3.5, 3.6 (where the governance charts could be found), these had been taken from the Strategic Asset Management Plan, which had been attached as one of the appendices. This provided some further detail within the Strategic Asset Management Plan on page 45 of the agenda papers. The property governance structure had also been referenced within the body of the report. Within that, paragraph 8.2 discussed governance and the improvements that had been implemented. Some of the boards that had been implemented including the Capital Property Board (CPB).
- It would be possible to share the terms of reference of those boards so that the Audit Committee would be able to inspect them.
- All property related decisions before they were submitted for any Cabinet recommendation had to go through the CPSG and CPB Board. which was the middle part of the structure. This was part of what was implemented in 2019/20.
- A description of the Boards could be submitted to the Audit Committee.
- The Property Performance Matrix was about identifying working with service areas. This assessment took place from usage information that the Council had from services, condition information on a building and the strategic need the Council referred to in terms of the Council's corporate plan. This allowed the Council to examine closely and assess if there was a deficit within a particular area against the needs of what a service would outline. The assessment would highlight a particular need for an area that was lacking resources. The work would also be done with key members of staff.
- If a building was being underutilised and not meeting the objectives of the Council, it was important to be able to have a conversation with the people occupying them and see how progression could be made.
- In terms of leases, a soft lease reading exercise was being done to identify what the responsibilities the Council had under the terms of those leases. The Council had a digital system that was referenced in a document called "technology forge". The team would be looking to procure a new system. This allowed the Council to have a digital approach to be able to monitor what works were taking place, what the responsibilities under the lease were.
- In relation to the governance, this would feed into any part of the constitution and decision making that related to property. This was something that, through the Constitutional Working Group, any recommendations would be taken as to how that would involve councillors and the wider community in general. There was a very specific area under the constitution which discussed the decision making process.
- Live data would be available on an annual basis that detailed usage, user groups, outlined performance, building condition (which linked through to what repairs should be done by tenants) and long-term future investment.

- The meeting noted that the Constitutional Working Group was between joint political parties.
- The Council had successfully recruited around 30 individuals since it had launched the capital projects property restructure in 2022. This still only provided up to about 35% capacity of the overall structure. It had been a very challenging market, but the Council may well start to become more attractive in terms of roles within property expertise. The Council had a core number of officers and a “grow our own program” which was being done within the team. Two apprentices had joined so far as a result.

The Chair felt it was positive to have graduate-style roots for individuals to be able to start apprenticeship programs. The Council had educational institutions such as Cornell and Haringey College and it was nice to have that kind of a relationship and provide opportunities for people to get into an apprenticeship or internship, especially for local residents.

A report on the Meanwhile Use and the Co-Location use would circulate to the Committee when it became available.

RESOLVED:

1. To note the SAMPIP 2023- 28 to help inform the next annual update to Cabinet in June 2024.
2. To note the Corporate Property Model, the Property Governance Structure, the Property Performance Matrix and the SAMPIP action plans.

## **8. PROCUREMENT AUDIT UPDATE**

Mr Barry Phelps, Chief Procurement Officer, introduced the report.

The meeting heard that:

- The Dynamic Purchasing System (DPS), was a procedure under the current procurement regulations. It had features that were particularly suitable for managing certain categories more effectively than other routes to market. The DPS allowed suppliers, provided they met certain accreditation and criteria, to join what was essentially an open framework. This was beneficial for small and medium-sized Enterprises (SMEs) and allowed for the development of markets within the framework of the procurement regulations, enabling more efficient procurement of goods and services. Determining categories for DPS was done through consultation with the team and the services to understand needs and the dynamics of the market. This also formed part of the category strategies that were developed with the services. The HPCS system was purely a procurement system where quotations were issued and the supply chain was invited to respond. However, there was no accreditation required for this, meaning that anyone could register. In contrast, within the DPS, those that were registered must be accredited for delivering those types of services. This was the primary difference between the two. There had been no sampling done because officers had not been asked to undertake a sample. The Committee requested to at least have some random samples.
- Within the DPS, approximately 90% of the contracts were given to SMEs. Approximately 35% these were within Haringey. The reason the percentage was not

higher was due to some of the services not aligning with the profile of suppliers within the borough.

- In terms of promoting local supply chains and employment opportunities, the Council would regularly attend events with local businesses and other organisations.
- The Council was in the process of developing a social value policy. This would incorporate social, economic and environmental elements and how that would interact with procurement activity. This would align with the National TOMS (themes, outcomes, and measures), a group of social value elements that the supply chain could bid on. The Council was mandating the use of this with contracts at a certain threshold and considering them for contracts below that threshold. When the Council went out to market, the Council looked to signpost the supply chain to its priorities and areas where a particular focus was needed. Suppliers could then respond through a tool called the Social Value Portal which outlined any commitments. These commitments were contractually binding and if suppliers did not deliver, then liquidated damages would be applied.
- Social value was very important and the procurement strategy was not focused on driving lower costs, but rather how the Council could deliver more local social value. This aligned with the National Procurement Strategy and would be embedded in the new Procurement Act.
- The social value policy would be presented to the Committee when it was available. It was being developed and would be submitted to members for comment.
- It was difficult to benchmark the Council's performance against other authorities. This was because many boroughs did not collect the same information in the same way. Information could be provided on the number of contracts within the borough and what the spend was. This information was already being tracked and would be available yearly.
- Timescales were tight for data migration. This was mitigated by using an 'off-the-shelf solution' that was already preconfigured. Over the next six to eight weeks, a base model would be put in place. Officers would be invited into workshops throughout the program which was being led by Digital Services. There was a specific project manager and various subject matter experts. The supplier was providing and doing all the data migration and project management activities. Regular conversations were being held with audit and concerns had been raised about certain areas that needed closer examination.
- The goal was to end up with a system that was implemented according to needs and expectations.
- The benefits of the new system would be helpful to the Council regarding the category management, in being more commercial the Council would have the data and information within the system to inform decisions on how and when to go to market. There would also be more information available through the system that currently was not available.
- In relation to value for money, the exact savings figures for consolidating two systems into one was not currently available. Digital Services was leading on this and some specifics needed to be checked. However, there were Medium Term Financial Strategy (MTFS) savings as part of the broader Digital Services program.
- In terms of implementation and training, there had been a change resource within the project to support this. A whole communication program was being put into place over the next few weeks. The Council had already started, but the more the system was understood the more this understanding could be communicated. The Procurement team would be the main users and there was a further improvement program running

alongside the implementation. The Council was looking to integrate the new Procurement Act and the new regulations and communicating this across the organisation. A training programme would be undertaken in relation to this. The system itself had context-sensitive help. When a user was on a screen, the help that was embedded in the system would relate directly to the activity. A further update would be provided at a future meeting regarding how the system had been implemented.

- A list of risks and mitigation would be provided to the Committee.

Benchmark data of local spend and number of contracts and information on the Procurement Act would also be provided to the Committee.

RESOLVED

To note the updates and progress being made in relation to the implementation of the new e-procurement system.

## **9. EXTERNAL AUDIT PLAN**

Mr Tim Cutler, KPMG, introduced the item.

The meeting heard:

- A separate report would not be produced on reserves, but the approach towards it, governance and disclosure of reserves would be examined.
- It was normal to usually consider the assurances (or lack thereof) from the Council's auditors and factor this into the analysis. However, various work was being led by regulators to understand how to transition from several unaudited years to a closing balance sheet audit in March 2024. KPMG therefore was not yet in a position to conclude the audit plan, because the audit plan should include how to approach the opening balance sheet audit. Hopefully, the situation would have greater clarity by July 2024.
- The system was looking to implement safeguards in itself to prevent past issues from recurring. Whilst in the consultation stage, 'backstop dates' would be put in for every subsequent year until 2028. These dates would provide a deadline for the audit to be concluded. Resources were present to conduct the audit later this year and hoped that efforts made over the past few weeks and months had improved the situation. However, the results of the consultation would need to be analysed and when the year-end audit for March 2024 could be started.
- Auditing standards set out a percentage range that needed to be followed for materiality. This range was from of 0.5% to 3% for materiality. The Council's materiality level was set at around the 2% mark. One of the drivers of materiality was the external stakeholder perception of local authority financial statements. The 2% setting was due to a few factors including recognition of the sector's challenges, but there was also a view that the majority of the public would focus on budget reports and operational key performance indicators (KPIs), not financial statements. It was also quite helpful in order to conclude the audit not to have a level so low forcing numerous amendments.

RESOLVED

That the presentation be noted.

## **10. UPDATE ON OUTSTANDING AUDIT OF STATEMENT OF ACCOUNTS 2020/21, 2021/22 AND 2022/23**

Mr Kaycee Ikegwu, Head of Finance (Housing) and Chief Accountant introduced the report.

The meeting heard that:

- A query was raised regarding other Council's borrowing and the impact the disclaimer on the statement of accounts would have on borrowing and interest rates. In response, the meeting heard that most borrowing was done from the Public Works Loan Board (PWLB) and possibly inter-authority borrowing. The backstop arrangement was a large document but still did not cover all aspects of the impact the backstop arrangement may have on Councils. Even after consultation, there were still ongoing conversations. Part of this would include how to mitigate the impact of the disclaimer opinion on the authority and the impact on the auditors. In terms of borrowing, there was not likely to be any impact. A national solution was being sought and the wording of the disclaimers would be drafted in such a way that there would not be a significant impact on the flexibility for local authorities to borrow.
- A query was raised regarding the paying of auditors despite not having final statements produced. In response, the meeting heard that audit firms were usually paid at the end of an audit and had not been paid for the outstanding years. The resolution of issues around audit fee payment was something for the Government and the PSAA to advise upon. This issue would still be part of the ongoing discussions.
- Value for money audits still needed to be made by the previous auditors. This had already started.
- Council's officers had put in a lot of effort in producing the accounts. Validation from external auditors, by way of audit would have been useful but the audit had not been forthcoming. The issue was a national issue and there was an expectation that clear directives would be provided on how to move forward.
- A query was raised regarding the amount of time taken for Government consultations to be completed in order for guidelines to be published and how long this may take. In response, the meeting heard that the Government was keen to resolve the issue and that it would not require primary legislation, but secondary legislation. Once the consultation closed, there would be a period of a few weeks to process the responses. It would then have to be held in Parliament for 40 days, pending any general election announcement. This process would go through during the May or early June period.

**RESOLVED:**

To note the position on the outstanding external audits of the Council's Statement of Accounts.

## **11. TREASURY MANAGEMENT REPORT Q3 2023/24**

Mr Tim Mpofo, Head of Pensions and Treasury, introduced the report. The Committee did not raise any significant questions or comments regarding the content of the Treasury Management Update Report for Q3 2023/24.

RESOLVED:

To note the treasury management activity undertaken during the quarter ended 31 December 2023 and the performance achieved attached as Appendix 1 to the report.

## **12. ANNUAL INTERNAL AUDIT PLAN, STRATEGY AND CHARTER 2024/25**

Mr Minesh Jani, Head of Internal Audit and Risk Management, introduced the report.

The meeting heard that:

- The Committee had previously asked to review the arrangements that had been in place for delivering leisure services. The level of assurance provided was quite low. However, things had progressed, with further organisational steps being taken to provide leisure services in a different way. It would be important to provide assurances about what this difference would look like.
- Planning was on the audit plan for next year.
- As part of the current year's plan, a review would be carried out regarding how the Council was managing the private sector leasing arrangement and report would be provided to the Committee at a future meeting.
- An update would be provided on the issue of co-production and how this was being delivered.
- Regarding shared accommodation, a report would be submitted to the Committee with the findings of the audit.
- A lettings process had been planned for the year and a report would be submitted to a future meeting.
- In relation to sickness management, it was important to ensure that the right processes were in place. A broader review of workforce planning had been done in the past year, the findings of which they would share with the Committee. The review focused on maintaining control around sickness management, particularly long-term sickness. Part of the risks around a sickness audit involved ensuring that a duty of care have been met for staff who were genuinely long-term sick.
- In relation to agency staff, work had been done regarding contract management. However, a more detailed update would be provided to the Committee.
- Page 165 of the agenda papers referred to an Assurance Map of Corporate Risks. This listed 18 risks and mapped them against audit work to provide assurance around the management of the risks. Another piece of work focused on continually improving the risk register and risk management. The Council had asked for assistance with this, but there had been a delay of arranging workshops due to the Council being busy with the budget setting process.
- In relation to the audit plan, the number of days for delivery could be changed slightly if necessary.

RESOLVED:

To approve the updated Annual Internal Audit Strategy and Plan for 2024/25 (Appendix A of the report), the Internal Audit Charter (Appendix B of the report) and note the Internal Audit Protocol (Appendix C of the report) and the Assurance Risk Map (Appendix D of the report).

### **13. INTERNAL AUDIT PROGRESS REPORT 2023/24**

Mr Minesh Jani, Head of Audit and Risk Management, introduced the report.

The meeting heard that:

- The area of the delivery of leisure services was assigned nil assurance because there were significant deficiencies in how the fusion arrangement was being managed. Deficiencies were identified in the contract management process. Despite this, the escalation had not been applied at the time of the audit. Progress had been made since, but at the time, those instances of failings did not lead to any performance issues or penalties. Under the contract, there were some stipulations around what was expected of the contractor and this had not been fulfilled in a number of areas. There was a need for a service plan and the setting of key performance indicators. There had been a health and safety review by an external company which had identified issues, but these were not being addressed. As a result, the Council was exposed to health and safety risks, delivery risks and contract risks resulting in nil assurance. The audits planned for the next year were to support the organisation's move to bring services back into the Council. This would present a new challenge and a new way of operating. There was a need to support the service in putting in place the right governance for the management of the services.
- In relation to Pendarren House, a review had been requested by the service. It identified gaps in the service, most notably, the need for making sure that staff were trained in safeguarding and safeguarding arrangements, need for maintaining a proper risk register, the need to appoint a Deputy Child Protection Lead and key performance indicators to monitor and manage the operations of Pendarren. The centre was still open and many of the recommendations had been implemented. An update would be sought on all the recommendations. This update would be circulated to the Committee.
- Regarding Pendarren House, the Council's risk appetite in this area was very low, so the auditors had been selective of the level of control that the Council wished to see and management had been acting fast in responding. Steps were being taken to deal with the specific issues and monitoring of progress would be dealt with by the key performance indicators. A follow up in the area would be done to make sure the arrangements were robust.
- In relation to the leisure service, the last annual report indicated that contract management across the organisation was not robust enough. The Procurement team would be implementing a new system. However, it also needed to remodel the level of scrutiny it applied across the organisation. At the moment, spending scrutiny was at £160,000. Any spend above £160,000, there was an automatic requirement for the Strategic Procurement team to be engaged. A lot of the Council's current activities which did not involve procurement would do so and this would allow the Council a greater level of oversight in answering some of the specific questions that were raised around single tenders, but also improve contract management. Training for these systems for this would be required, especially around contract management.



- The responsibility for making sure contracts were monitored was always with the services. They were responsible for making sure they managed whatever contracts they had. However, Strategic Procurement had a role in making sure that they did they defined acceptable levels of performance and that this picture was provided to services so that they could adhere to those standards. At the moment, there was a varying degree of contract management. There were some contracts which were well managed, but they tended to be in areas where people were used to managing contracts all the time. Where the service did not fully appreciate how to manage a contract, this was where strategic procurement had a role in defining what that should look like and offering help and advice to manage those contracts. If a contract was not progressing well, then a protocol should be in place.
- It was unclear what state the issues that Pendarren House had and therefore a query would be made to the service and an update would be provided to the Committee.

RESOLVED:

To note the audit coverage and follow up work completed.

#### **14. ANTI-FRAUD AND CORRUPTION PROGRESS REPORT QUARTER 3 2023/**

Ms Vanessa Bateman introduced the report.

RESOLVED:

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

#### **15. LOCAL CODE OF CORPORATE GOVERNANCE**

Mr Minesh Jani, Head of Audit and Risk Management, introduced the report.

The meeting welcomed the report and heard that:

- There was a section on page 204 regarding co-production. The page outlined “engaging with individual citizens and service users effectively”.

RESOLVED:

To approve the attached Local Code of Corporate Governance, attached at Appendix A of the report.

#### **16. NEW ITEMS OF URGENT BUSINESS**

There were no new items of urgent business.

#### **17. DATES OF FUTURE MEETINGS**

The next meeting would be in July 2024.

CHAIR: Councillor Erdal Dogan

Signed by Chair .....

Date .....