

MINUTES OF THE AUDIT COMMITTEE HELD ON THURSDAY, 29 JANUARY 2026, 7:00PM – 10:10PM

PRESENT: Councillors Erdal Dogan (Chair), Cathy Brennan (Vice-Chair), Mary Mason, Alessandra Rossetti, Isidoros Diakides, Sue Jameson and Alexandra Worrell

PRESENT ONLINE: Reyaaz Jacobs (Independent Member)

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 Reyaaz Jacobs (Independent Member) and Reene Deba (Independent Member).

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 10 November 2025 be agreed and signed as a correct record.

In relation to the Action Tracker, the issue in relation to voids required an update. Additionally, it was requested that the update regarding staff turnover be provided. In relation to housing recommendations, it was not clear what the management reassurances were and if the reports shared with the Housing Improvement Board could be shared with the Committee. In response, the meeting heard that there were two stages of follow ups. The first was carried out by management and they update their position in relation to the recommendations. This was then audited separately. This finding would be presented to the Committee.

A query was also raised in relation to meanwhile use and co-location use. At the next committee meeting in March 2026, the Committee would be able to review an all-encompassing report on commercial property to the March 2026 meeting. Some good progress had been made in the area. Commercial property still had some way to go to understand the commercial portfolio and the income. However, it was a priority as it was a key income source particularly for financial sustainability. The meeting noted the need for the data at more immediate notice.

The meeting heard that issues in relation to the commercial property audit and the audit voids had not yet been addressed and had taken a considerable amount of time.

7. FINANCIAL ASSESSMENTS AUDIT - UPDATE & ADULT SOCIAL CARE INCOME COLLECTION

Ms Rebecca Cribb, Head of Commissioning and Quality Assurance and Ms Jo Baty, Director of Adult Social Care introduced the report.

The meeting heard:

- A complex case could include anything from international bank accounts and property involvement through to safeguarding concerns with residents.
- In relation to the legal and high-risk cases, the internal legal team was used where possible, but external providers were used when there was additional capacity.
- The team was still working through its backlog. However, there had been an increase in the amount of time it was taking to complete. The amount of waiting time for the assessments had decreased from 200 days to 100 days.
- In relation to the variable direct debits, the work to introduce it was underway. All required teams in the Council were involved and were being led by digital colleagues. There were various system changes, process changes and the links between the case management system and the finance system that needed to be made. Staff were in the discovery stage of this. There would then need to be some communications with residents. There was evidence from other boroughs that allowing people to pay a direct debit that would vary from month to month, particularly if they were in receipt of home care, would improve income collection significantly. An update would be provided to the Committee in due course.
- Social work practice was important and there was a significant undertaking in terms of workforce development to get assurance in that area. The sooner respectful conversations could be held around residents having to pay a contribution to their care and support, the better. This would naturally start with anyone new to the service via an assessment and anyone known to the service at an annual review. How people have that conversation in a compassionate, caring and efficient way was a skill. Staff always would need a refresher about how this would need to be done. The borough had a very strong disabled people's organisation - Disability Action Haringey - who played a critical role in supporting disabled residents and wished to be involved. The organisation recently won some contracts for information, advice and guidance and it would be a great service to work with because it was adversarial and challenging of

the authority. More work was also being done on improving the information, advice and guidance the Council provided. The website and leaflets reflecting the information needed to ensure that the tone of the language did not sound punitive. Work was also being done on communicating with residents when they approached with queries.

- When the project was started, it had been recognised that additional capacity was needed in all of the teams. There had been additional capacity that had gone into Legal, the Financial Assessments team, the Debt Recovery team and the frontline Social Care team. This was on a time-limited basis. There were a number of assessments that needed to be cleared, so the waiting list was significantly higher. Therefore, the additional resource would need to be in place for some time before considering what the business-as-usual resource should be. This would be considered for all of the teams, not just the Financial Assessment team. The specific amount of time had not been set. There were around two or three specific work streams linked to the project. One was around looking at the age debt. Work was being done looking at over a thousand cases examining how much money was recoverable. and then, realistically, what was not. It was a requirement to work through those cases with input from all four teams. A further update would be provided to the Committee.
- Payment using a standing order would be the same amount each month Some residents managing their finances would find the instability of a direct debit very stressful. Some sessions needed to be done with residents to understand the impact to residents and improve on being person-centred. Starting at the earliest stage would be beneficial in the long term. Some would like to have the option of a variable direct debit because they knew that their care package could vary from week to week. At present, there was no variable direct option.

The Audit Committee RESOLVED:

1. To note progress made against the Financial Assessment Audit recommendations, as summarised in this report.
2. To note the updated position on Adult Social Care income collection and debt.
3. To note the integration of audit actions within the ASC Improvement Plan and governance arrangements.

8. 2024/25 STATEMENT OF ACCOUNTS - EXTERNAL AUDITORS ANNUAL REPORT

Mr Kaycee Ikegwu, Head of Finance (Housing & Chief Accountant), Mr Tim Cutler and Mr Josh Parkinson, KPMG introduced the report.

The meeting heard:

- Expectations to the Council was being driven by two main factors. Firstly, the level of savings being approved and whether they were transformational or

small level savings and, secondly, the degree to which the agreed savings within the budget were also being delivered. The budget may say that there was around £60 million of savings that had been identified, but a lot of these related to the undelivered savings from the last two financial years. The Council had the ability to truly transform. Adult Social Care was a good example where larger value savings could be made. However, there was also the management capacity capability to actually execute those plans.

- The onus could not be put solely on management, because the degree to which some of the transformational savings were being approved was still important. KPMG would observe what happened at the March 2026 budget process and then respond accordingly.
- KPMG's role as local auditors was to give assurance to the taxpayer. There was a situation at the Council which was deteriorating due to the increased reliance on resilience funding to balance the budget as this created a debt that would sit on the Council's balance sheet and would require servicing for the foreseeable future. This would need escalating and highlighting. The statutory recommendation would involve a report from KPMG to the Council. This would be part of the escalation process. It was likely that Cabinet would respond and this would be publicly shared and copied to the secretary of state.
- After an issue had been highlighted, it was then up to other parties to decide on what the appropriate response was.
- The Council was aware of the challenges relating to its commercial property. There were a number of leases and rents that needed review. Much work was focused on this and had been pointed out as part of the report by KPMG. It had been reported that pace had picked up in the last six months or so. All options were being considered. No options had been ruled out in terms of additional capacity. The reviews could either be done with a smaller amount of resources and take longer or with a larger amount of resources, but quicker. These options were being tested, including if it would be cost effective to bring in some external support to the internal team given the work still required. The Council wanted to get to a position where all rent reviews and lease reviews were current and then return to a more business as usual stance. Ensuring that the Council collected all the income that it was due was going to be an important indicator in improving its financial sustainability. Additional capacity was needed, but how it would be done was still under consideration.
- If the Council was going to significantly increase the level of savings that it delivered, 80% of that total expenditure related to service lines, including statutory services. It was not possible to avoid such service lines with a hope to closing the financial gap. A large proportion of the Council's budget went on statutory services. Statutory services and outcomes could be delivered in a number of different ways. The Council should not look at any service that it provided to make sure that it had been delivered in the most efficient and cost-effective way. This included the Council's statutory services particularly Adults, Children's and temporary accommodation, which the Council knew were its big drivers for cost pressures. There were still statutory responsibilities that were not changing unless there was a reform or changes in legislation. Such services were not exempt from looking at the way they were delivered.
- Long-term debtors had been previously disclosed a net. The underlying information pointed to a £45 million gross and a £41 million provision and then

there was a net. The vast majority of that long-term debtor was that that long-term data. There was not much else that we that KPMG had raised yet.

- Various financial situations existed within the London boroughs. There were several London boroughs who had never received a disclaimer. Their auditors kept their audits up to date without any modification. These would continue with the normal annual audit process as they had before. In relation to being able to restore assurance ultimately and remove disclaimers, the number of years that a Council had received a disclaimer was key to the level of materiality risk experienced in those reserves. Haringey would be one of the more challenging authorities to remove the modification simply because the financial position in which the Council found itself meant it was likely that there was material risk to reserve levels because they were so fundamental to the Council's financial sustainability at present. There was also the number of disclaimers the Council had received over a period of time. The Council found itself with two disclaimed years. The Council needed to get to a point where it could assure all of its closing balance sheet and the INE, then it could rebuild. KPMG could not assure the reserve movements until there was a fixed end point.
- It was not valid to proclaim that the state of the Council's pension fund could support the Council in its current position. This was a decision on what level of contributions the Council was expected to make within any tri-annual period. The pension fund custodians needed to set those contribution levels at a prudent level which protected the interests of the pension fund. The movements between surplus and deficit from year to year did not get taken into account in the Council's operating position. The Council had a pension reserve which largely absorbed the impacts of the surplus or deficit. The surplus or deficit was largely driven by a variety of factors that did not impact the Council on a cash basis year to year. This would include CPI assumptions, mortality figures and other long-range assumptions which would not necessarily drive the Council's INE and cash position on any given period.
- The Council had two separate actuaries, one that had been appointed by the pension fund and one that had being appointed by KPMG. These views differed slightly, but none of them to any material degree. Arguably, the pension fund actuary had far more information at their disposal to make certain assumptions than KPMG. All KPMG did was confirm if it was materially correct. The pension fund was managed completely independently of the Council. The Council had its actuary and took the advice of the actuary. They examined the Council's liabilities, assets and made some recommendations around employer contributions. The Council was just one employer out of 86 in the pension fund but that was made completely independently by the recommendation of the actuary and the recommendation to the Pension Committee and Board.
- The Council was aware that exceptional financial support was not sustainable. The £10 million borrowed in 2024/25 and £37 million so far in the current year was not sustainable. This was borrowing for the future which was adding borrowing costs including interest cost and minimum revenue provision over the next 20 years. Upon getting into debt, it was difficult to make the level of reductions to not be reliant on exceptional financial support. Some work would be done over the next six months to understand how to tackle this issue. There would be no further funding from Government. The financial position was driven by the increase in the demand and the increase in the price. There had been a small increase in government funding. It may be possible to generate income

locally, but Haringey was more limited than other boroughs. It would be difficult to confirm that the Council would close its budget gaps over the next five years. The use of exceptional financial support was the only option for the Council at the moment.

- In terms of asset disposal, the Council had a disposal strategy. Good asset management was about disposing of surplus assets and investing in assets that the Council needed. Regardless of the financial position, this was good asset management. The Council's disposals did follow its disposal strategy that had been agreed by Cabinet in June 2025. Exceptional financial support came with significant costs, borrowing costs and particularly when interest rates were still approximately 5% or 5.5% (rather than at 2%). The Council needed to be critical in seeing if there were assets that were surplus to requirements and therefore would avoid the borrowing cost for the next 20 years. The Council needed to make the most of the assets that it had both operationally and commercially, but could not hold onto assets that were not of a financial benefit to the Council. The Council could not dispose of a significant number of assets that could cause problems in future. The Council was applying a pragmatic asset management approach to its portfolio.
- The previous auditors, BDO delivered three successive disclaimers (2021, 2022 and 2023). KPMG had since delivered two disclaimers (2024 and 2025). For the three years which were disclaimed by BDO, no audit work was delivered for those periods other than the minimum required to deliver a disclaimer.

The Audit Committee RESOLVED:

1. To note the Audit Findings Report of the auditors, KPMG and the management responses in the KPMG action plan contained within the report.
2. To give the Chair of the Committee and the Corporate Director of Finance & Resources (S151 Officer) authority to sign the letter of representation to the Auditor.
3. That the Committee delegates the approval of the Statement of Accounts 2024/25, subject to any final changes required by the conclusion of the audit, to the Chair and to the Corporate Director of Finance & Resources (S151 Officer).

9. DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT 2026/27

Mr Sam Masters, Head of Finance (Pensions & Treasury), introduced the report.

The meeting heard:

- Table 1 in the report listed the capital expenditure. It was not the total borrowing position associated with the exceptional financial support. It would be unrealistic to assume that no exceptional financial support would be needed in future years. The Council had made an assumption based on available data, because to assume nothing probably would provide a false picture and therefore the Council had assumed that the £100 million would continue throughout the next five years. This also assumed that the Council would identify cost reductions, income savings in-year to close in-year budget gaps,

but if the Council was to use the £100 million, it would still have the structural deficit that the Council would need to borrow every year. When exceptional financial support was applied for, only one year's worth of approval was ever given. There had still been no response to the 2026/27 application, but to not assume any use of exceptional financial support over the next five years would provide a false position in terms of the levels of debt.

- Exceptional financial support would be available for the next five years. The Council still had to apply every year, but this was a facility that would be available to local authorities for the next five years. The Council would revisit its assumptions every single year. In 2024/25, the Council applied for £28 million of exceptional financial support. When the account was closed, the Council only needed £10 million. So only £10 million was formally agreed by Government. The Council had also made an assumption that all exceptional financial support would be funded by borrowing. However, this may not be a reality, partly because of the conversation that there could be further capital receipts for the Council's normal disposals program that it could utilise. The Council did borrow until the point it had to. This was a budgeted position if the Council had to borrow the whole £100 million. In-year, the Council would decide what balances and reserves it had and borrow when absolutely necessary. The report showed that the Council held a £30 million balance. Quarterly updates would provide updated positions on actual borrowing.
- The borrowing within the treasury management strategy was driven by the capital scheme. The Council had to match its borrowing to it. The department itself could not simply decide for the borrowing to be lower.
- Table 1 which stated areas listing £100 million for exceptional financial support was outlining the amount of borrowing needed to plug the gap. This was for the general fund. There was no exceptional financial support on the HRA.
- If the Council did not have exceptional financial support, then it could not set a balanced budget or meet statutory requirements. The Council would be violating statutory requirements. The Council needed to commit to looking at opportunities to minimise the amount it needed. Realistically, the Council needed to focus on prevention and early intervention to avoid some of the high costs. This took time and the Council did not have reserves that would allow the time to do more of the transformative work. However, this work would be completed in any case.
- The Council needed to urgently look at more alternative means for greater income generation.
- The HRA and the general fund were separate accounts. The exceptional financial support and the borrowing costs was all based on the general fund. The HRA was separate. There was always scope to look at improvements and the HRA should be looking at good value for money and the Council should complete its due diligence on the HRA. The Council's debt levels were seen as a totality. The report was intentional in displaying it separately, because the debt levels in the HRA were driven because the Council was significantly investing in new homes and its existing stock. The debt levels on the capital program in the general fund was because the Council was investing in schools and roads. The debt levels for the HRA were high because the Council was investing, but the 30-year business plan showed that the HRA becomes more financially viable in the longer term because of rent.

The Audit Committee RESOLVED:

1. To recommend the proposed updated Treasury Management Strategy Statement for 2026/27 to Full Council for approval.
2. Delegate to the Section 151 officer in consultation with the Chair of Audit Committee, authority to agree any updates to the Treasury Management Strategy Statement for 2026/27 before Full Council for approval.

10. TREASURY MANAGEMENT QTR2 REPORT 2025/26

Mr Sam Masters, Head of Finance (Pensions & Treasury), introduced the report.

At this point in the proceedings, the meeting agreed to suspend standing order 18 in order to conclude the meeting.

The meeting heard:

- The assessments on table 7 of the agenda papers referred to the credit ratings of the Council's counterparties. ArlingClose did a global rating of the entire local government sphere within the United Kingdom and this was where the ratings came from.
- The operating limits would be revised. There had been work around IFRS and minimum revenue provision um that ArlingClose had undertaken three chances of work. The treasury management strategy would be updated before it was submitted to Cabinet. This was an exceptional case because of a change in reporting requirement (from a change in accounting legislation). The Council would expect the figures that it budgeted for in the strategy to encompass all the requirements.
- The PWLB rates were driven by gilt yields. As central government had sought to reduce its own cost of borrowing and because of uncertainty around long-term rates, it had reduced the supply of long duration gilts within the market. This meant that the gilts that remained in the market would achieve a higher than anticipated return because of contraction of supply and an increase in demand. This was why long-term duration gilts were high and this was what drove the Council's long-term borrowing costs.
- The Council had opted for the lower durations. This was in conjunction with ArlingClose who had been advising the Council to opt for the 10-year equal instalment loans from PWLB. Those were better costs for local authorities and so the Council had not been purchasing ones that lasted 30, 40 or 50 years.
- Regular update meetings were held with advisers and the appropriate strategy was taken from month to month.

RESOLVED:

1. To note the treasury management activity undertaken during the financial year to 30th September 2025 and the performance achieved which is attached as Appendix 1 to this report.

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

11. INTERNAL AUDIT PROGRESS REPORT

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

The meeting heard:

- The outstanding recommendations from 2023 and 2024 related to the value for money opinions from external audit. These recommendations were ones that would take time to implement because of the nature of the recommendations themselves. They fell into the two broad areas; Procurement and Commercial Property.
- Part of the tracking of audit recommendations was setting a revised timeline with management, ensuring officers were realistic and provided an accurate indication from management of the status over the implementation of recommendations before being independently audited by internal audit. When internal audit carried out their follow up audit, the control would be tested to see if it was working. For the financial assessment audit, this would be tracked via a live document and the same was true for Housing. It was possible to examine the progress of actions. It would also be subject to discussion at management team meetings.
- There had been a backlog of where things had not been done the way they should have been done, but the culture on this had shifted. Some in-year actions were being closed off.
- Residents claiming housing benefit would report a change of circumstance to the Council and the Council had a certain time frame within which the Council had to make the change. If the change was not made quickly enough, there may be an overpayment of housing benefit. The DWP had strict criteria for determining whose fault it was when overpayments occurred. If the fault was attributed to the local authority if that fault exceeded a small threshold, then the amount of subsidy to the authority would be reduced resulting in a financial loss. To minimise any potential loss, the Council needed to act as soon as it became aware of a change of circumstance.
- In relation to housing benefit overpayment, a change of circumstances was not always predictable and service had to anticipate and manage the change as soon it could at a level that was comfortable for the Council. There had been some issues around housing benefit overpayments many years ago and the Council was able to get an external provider to support the management of the housing benefit system. There was however an issue with staff capacity. The Council had no power to investigate housing benefit fraud. Any submitted would have to be referred to the DWP.
- In relation to the priority 1 recommendations, the Housing service would be asked for an update and the Committee would be informed via email.

RESOLVED:

To note the audit coverage and follow up work completed.

12. ANTI-FRAUD, BRIBERY AND CORRUPTION PROGRESS REPORT QUARTER THREE 2025/26

Ms Vanessa Bateman, Deputy Head of Audit and Risk Assurance, introduced the report.

The meeting heard:

- The Council had more staff since quarter three. Due to a backlog of cases, this allowed for a business case to have some additional resources. There were more dedicated housing resources for quarter 4 and starting into next year. These would be for historical cases. Many recoveries had been banked in quarter 3, but probably should have been in prior periods. The properties had the challenge to be put back in a condition ready to be let again.

RESOLVED:

To note the activities of the team during quarter three of 2025/26.

13. ANNUAL GOVERNANCE STATEMENT 2024/25 UPDATE REPORT

This item was deferred to a future meeting.

14. RISK MANAGEMENT UPDATED - CORPORATE RISK REGISTER

This item was deferred to a future meeting.

15. ANY OTHER BUSINESS

The Committee was asked to stay after the meeting for a short private meeting.

CHAIR: Councillor Erdal Dogan

Signed by Chair

Date