



NOTICE OF MEETING

Audit Committee

TUESDAY, 26TH JUNE, 2007 at 19:30 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, N22 8LE.

MEMBERS: Councillors Rahman Khan (Chair), Bull, Davies, Gorrie, Mallett (Vice-Chair), Vanier, Whyte and Wilson

AGENDA

1. APOLOGIES FOR ABSENCE (IF ANY)

2. URGENT BUSINESS

The Chair will consider the admission of any late items of urgent business. (Late items will be considered under the agenda item where they appear. New items will be dealt with at item 10 below).

3. DECLARATIONS OF INTERESTS

A member with a personal interest in a matter who attends a meeting of the authority at which the matter is considered must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

A member with a personal interest in a matter also has a prejudicial interest in that matter if the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the member's judgement of the public interest.

4. MINUTES (PAGES 1 - 6)

5. DEPUTATIONS / PETITIONS - TO CONSIDER RECEIVING DEPUTATIONS AND / OR PETITIONS IN ACCORDANCE WITH STANDING ORDER NO. 35.

6. STATEMENT OF ACCOUNTS 2006/07 AND ACCOUNTING POLICIES (REPORT OF THE ACTING DIRECTOR OF FINANCE) (PAGES 7 - 16)

To consider and approve the accounting policies and to note the draft statement of accounts for 2006/07.

7. ANNUAL INTERNAL AUDIT REPORT (REPORT OF HEAD OF AUDIT AND RISK MANAGEMENT) (PAGES 17 - 26)

8. REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT (REPORT OF HEAD OF AUDIT AND RISK MANAGEMENT) (PAGES 27 - 44)

9. CPA – USE OF RESOURCES 2007 – ACTION PLAN (REPORT OF THE ACTING DIRECTOR OF FINANCE) (PAGES 45 - 74)

10. NEW ITEMS OF URGENT BUSINESS - TO CONSIDER ANY NEW ITEMS OF URGENT BUSINESS ADMITTED AT ITEM 2 ABOVE.

11. DATES OF NEXT MEETINGS :

Tuesday, 10 July 2007 at 19:00 at the Civic Centre
Monday, 29 October 2007 at 19:30 at the Civic Centre
Monday, 28 January 2008 at 19:30 at the Civic Centre
Monday, 28 April 2008 at 19:30 at the Civic Centre

YUNIEA SEMAMBO
Head of Local Democracy & Member Services
5th Floor
River Park House
225 High Road Wood Green
LONDON N22 8HQ

CLIFFORD HART
Non-Executive Committees Manager
Tel: 020 8489 2920
Fax: 020 8489 2660
clifford.hart@haringey.gov.uk
www.haringey.gov.uk

18 June 2007

DRAFT MINUTES OF THE AUDIT COMMITTEE**26 April 2007**

Councillors: *Gmmh Rahman Khan (Chair), *Bull (Vice-Chair), Bloch, *Davies,
*Thompson, Patel, *Whyte and *Wilson.

* Members present.

AUD58. APOLOGIES (Item 1):

No apologies for absence were received.

AUD59. URGENT BUSINESS (Item 2):

There were no items of urgent business.

AUD60. DECLARATIONS OF INTEREST (Item 3):

Councillor Khan, Chair, declared personal interests in respect of Items 8 and 11 on the agenda, because of his membership of the Haringey Council Pension Fund.

AUD61. MINUTES (Item 4):

The minutes of the meeting of the Audit Committee held on 25 January 2007 were confirmed and signed as a correct record.

Mr Almeroth informed the Committee that the promised Action Plan on CPA Use of Resources Auditor Judgement, improving the Key Lines of enquiry i.e. internal control, value for money and by all means equipping the Audit Committee to perform the pro-active role would be presented at the earliest.

AUD62. DEPUTATIONS / PETITIONS (Item 5):

There were no Deputations or Petitions.

AUD63. PROGRESS REPORT ON COUNTER FRAUD ACTIVITY ERELATING TO HOUSING BENEFIT AND COUNCIL TAX BENEFIT (Item 15):

Mr Fisher introduced the report by giving background to counter fraud activity, noting that CFP and Pathfinder had achieved their targets for the year. The Committee noted that the Pathfinder joint working initiative had closed, which had resulted in new working protocols being established in conjunction with the DWP. The Committee noted that the Report highlighted a number of legal and procedural barriers that had presented some problems to maintaining a joint working process. In respect of overpaid housing benefit, the Committee noted that £1,184,528 in benefit overpayments had been identified through counter fraud activity. In respect of the breakdown of Local Authority error overpayments for 2005/06, the Committee noted the figures highlighted in the report indicated that the Council had relatively low error overpayment rates.

RESOLVED

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That the report and the work being carried out by the Benefit and Local Taxation Service in relation to Counter Fraud Activity be noted.

AUD64. EXTERNAL AUDIT PROGRESS REPORT (Item 6):

Ms Hill of the Audit Commission presented an external audit progress Report to the Committee and highlighted from the report the progress made since the last meeting on various issues. The Committee noted that the Audit and Inspection Letter 2006 was presented to the Council's Executive on 24 April 2007. Further, it noted that the 2007/8 audit and inspection plan was currently being progressed and would be presented to the next meeting following its agreement with officers by the incoming external auditors, Robson Rhodes. In presenting the report, the Committee was informed that the CPA has evolved over time and the current framework aims to reduce the overall regulatory burden on Councils by bringing together information from other inspectorates and auditors to form an overall view of the performance of the councils, but in a totality the test would be harder. Finally, the Committee noted that an allocations/lettings inspection would take place in October.

RESOLVED

That the External Audit Progress Report be noted.

AUD65. ANNUAL AUDIT AND INSPECTION LETTER (Item 7):

Ms Hill of the Audit Commission presented the Annual Audit and Inspection Letter to the Committee and gave a summary of it. The letter's main messages were:

- The Council is improving well and has been assessed as a three-star authority under the CPA framework
- the Council received an unqualified opinion on its 2005/6 financial statements; and
- the Council received an unqualified conclusion on its arrangements for securing value for money during 2005/6.

The Committee noted the actions that the Executives, on behalf of the Council had set out in response to the Audit Commission's recommendations, namely:

- improve social services for adults, in particular to support better adults with mental health problems;
- develop further its approach to tackling homelessness and regenerating the Borough;
- continue to enhance risk management across the Council and its partnerships;
- continue to implement its action plan to improve the project and financial management of major projects; and
- embed the improved arrangements for securing value for money Council-wide.

The Committee discussed the responses to the Letter and highlighted concerns in respect of the Action Plans associated with each of the responses

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outlined above – particularly concerning improvements to social services for adults. There were concerns raised over whether the action plan was sufficiently robust, which the Committee could not fully consider this as the detailed action plans were not part of the report. In respect of the concerns over Social Services, this exercise would be established with the Director of Social Services and Audit officers before it was returned to the Committee.

In respect of Ethical Governance, the Committee requested that a report be prepared giving an up-date on this matter, as it was considered as a key component in driving improvements. Further questions having been put by the Committee and answers given on this matter, a motion was put by the Chair that it was:

RESOLVED

- (i) That the report was noted and that an update is required for Members on the sufficiency and progress of the Social Services action plan. The officers be requested to report further concerning detailed Action Plans.
- (ii) That a further update report be submitted to the Committee in respect of Ethical Governance.

AUD66. OPINION AUDIT REPORT 2005/6 (Item 8):

Ms Hill of the Audit Commission presented the main conclusions of the report on the Council's accounts, together with the Action Plan established in response to the opinions. The Committee was advised that the findings of the Report, and the actions taken were largely satisfactory.

The Committee considered the Action Plan, highlighting the high priority areas. In respect of a £15k discrepancy on the bank reconciliation at 31 March 2006 (Recommendation 11 of the Action Plan), the Committee was advised that this had subsequently been rectified. In respect of Recommendation 12, the Committee were informed that, since a revised process of handling bank reconciliations had been established, there had been no further discrepancies.

RESOLVED

- (i) That the Audit Opinion Report and the proposed action plans be noted.
- (ii) That the need for continued improvements in the Council's reconciliation processes, particularly the banks reconciliation be emphasised.

AUD67. OTHER AUDIT COMMISSION REPORTS FOR INFORMATION (Item 9):

Ms Hill of the Audit Commission submitted three reports for information to the Committee as follows:

- a. Performance indicators/data quality audit report
- b. Governing partnerships report
- c. Supporting People inspection report

RESOLVED

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- (i) That the following three reports:
 - a. Performance indicators/data quality audit report
 - b. Governing partnerships report
 - c. Supporting People inspection report

be noted.

- (ii) That officer's report further in due course on the each of the respective action plans.

Councillor Thompson left the meeting at this point of the meeting, time: 20:37.

AUD68. INTERNAL AUDIT SERVICE TERMS OF REFERENCE (Item 10):

Head of **the** Audit & Risk Management, Ms Woods, informed the Committee of the proposed new Terms of Reference having received guidance from the revised CIPFA Code of Practice. The Committee was advised that most of the practices of the Internal Audit Service currently paid due regard to the Code of Practice, but that the Terms of Reference would ensure that the Council complied fully with the CIPFA Code of Practice. Ms Woods advised that as advised by the Legal Service there was no requirement to amend the Council's Constitution implementing the Terms of Reference.

RESOLVED

That the Terms of Reference for the Council's Internal Audit Services as set out in the appendix to the report be approved.

AUD69. INTERNAL AUDIT PROGRESS REPORT – 2006/7 – 4TH QUARTER (Item 11):

The Head of Audit & Risk Management, Ms Woods, informed the Committee that the annual Internal Audit report would be reported to the next meeting and this report presented the activity completed during the fourth quarter. In respect of the update report before the Committee, it was highlighted that all outstanding recommendations from previous years' follow up programmes had been responded to satisfactorily and identified that management had taken appropriate action where necessary and the full summary could be sent to Members on request. The Committee requested that it would require the full report to be presented at the next Committee, with particular attention paid to priority 1 recommendation which would need to be subjected to time limitations and to come with direct responses from senior officers and executive members as necessary.

RESOLVED

- (i) That the audit coverage and progress during the fourth quarter of 2006/7 be noted.
- (ii) That a full report on follow up programmes be presented to the next Audit Committee, with responses from relevant Directors, Executive Members & recommendations of appropriate actions, if any where any recommendations remained outstanding unduly.

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- (iii) That adequate steps be taken to implement the overall recommendations of the detailed findings on various services, say, 4 priority 1, 59 priority 2 & 5 priority 3 within the stipulated time-limits.

AUD70. STATEMENT OF INTERNAL CONTROL 2006/7 (Item 12):

The Head of Audit & Risk Management, Ms Woods, informed the Committee of the requirements of the Statement of Internal Control for 2006/7 and provided the Committee with a draft statement for approval. The Committee was advised that in respect to economic efficiency and effectiveness, a number of controls had been put into place to ensure appropriate scrutiny of council policies and processes. It was stressed that the Council's Overview and Scrutiny Committee /or any other Committee be fully involved in this process to justify the certification in future, as stipulated in point no-1.1 of the report.

In respect of risk management activities of the Council, the Committee requested a paper on the agreed Business Continuity Plans, as required under the Civil Contingencies Act 2004. The Committee further requested a timeframe in which the Action Plan for addressing the gaps in compliance with the Code of Corporate Governance would be put into place. The Committee also requested that this Code was accessible to all staff by the time of the next Committee meeting.

RESOLVED

- (i) That approval be granted to the draft Statement of Internal Control 2006/7, subject to the full satisfaction by the appropriate officer of the Council, as regards the certification as stipulated in point no-1.1 of the report.
- (ii) That the Business Continuity Plan, and the Code of Corporate Governance be available for the Committee at its next meeting
- (iii) That all future Action Plans include timeframes for completion.

AUD71. ANNUAL AUDIT PLAN 2007/8 (Item 13):

The Head of Audit & Risk Management, Ms Woods, informed the Committee of the proposed operational Annual Audit Plan for 2007/8, it having been explained that the drafting of this Plan was necessary in order to set out the Internal Audit work to be completed during the 2007/8 financial year. The Committee also received an explanation of the purpose of the Internal Audit Strategy, noting that the Strategy had not changed significantly from the previous year's one. In respect of the Internal Audit Annual Report, this would be reported to the Committee's next meeting. The Committee heard that satisfactory processes had been set out in the guidance set out in the Combined Code and Smith Report (section D3.2(c)). As a result of this, the Committee would be required to monitor and review the effectiveness of the organisation's Internal Audit Service in due course.

RESOLVED

The Committee resolved to approve the Annual Audit Plan for 2007/8 and the Internal Audit Strategy.

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AUD72. RISK MANAGEMENT UPDATE (Item 14):

The Head of Audit & Risk Management, Ms Wood, updated the committee on the monitoring of the Councils' risk management strategy. The Committee were advised that as a result of the Council's re-shaping, there would need to be a realignment of the risk to the new reporting Chief Officers and directorates. Given this, the Committee requested that the register be brought back to its next meeting for consideration. In respect of recent developments in the monitoring of risk management, the Committee were informed that as with Council officers at present, full training would be provided for Committee Members in due course. She also wanted to table the revised Corporate Risk Register at the meeting, which the Chair asked to defer for the next meeting, as the Committee needed appropriate time to digest the contents of the register.

RESOLVED

- (i) That the update on risk management strategy Report be noted.
- (ii) That officers present the Risk Registers to members at the next meeting and the members of the Committee be given full training on the subject.
- (iii) That further information on risk management from the relevant Council Officers be sought by the Chair be noted, and that feedback would be given at the meeting of the Committee.

The meeting ended at 21:20 hours.

Councillor Gmmh RAHMAN KHAN
CHAIR

DATE:

*** HARINGEY COUNCIL ***

Agenda Item

Audit Committee**On 26 June 2006**Report title: **Accounting Policies and Accounts 2006/07**Report of: **Acting Director of Finance****Ward(s) affected:** All**Report for:** Decision**1. Purpose**

- 1.1 To detail out the council's accounting policies that have been applied in 2006/07, in order for the committee to ensure the appropriate accounting policies have been followed.
- 1.2 To note the application of these policies with the Council's statutory accounts for 2006/07 and note that it is the role of the General Purposes committee to approve these accounts.

2. Recommendations

- 2.1 That the Committee consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 2.2 That the committee note the draft Statement of Accounts 2006/07.

Report authorised by: **Gerald Almeroth - Acting Director of Finance**


Contact officer: Graham Oliver – Head of Finance – Accounting and Control
Telephone 020 8489 3725

3. Executive Summary

- 3.1 The Audit committee has a role to ensure that the Council is applying appropriate accounting policies in the compilation of it's financial accounts.
- 3.2 The accounting policies applied are detailed in this report and specifically any changes that have occurred in 2006/07.
- 3.3 Approval of the Statement of Accounts resides with the General Purposes Committee and therefore this committee is asked to note the draft accounts prior to the approval at the General Purposes committee.
- 3.4 Internal audit and the audit commission have both given assurances that the Council is correctly applying accounting policies.

4. Reasons for any change in policy or for new policy development (if applicable)

- 4.1 None.

5. Local Government (Access to Information) Act 1985

The following background papers were used in the preparation of this report:

Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (SORP) – (CIPFA Publication)

Local Government Finance Act 1992

Local Government Act 2003

6. Background

- 6.1 The Statement of Accounts set out the Financial Statements for the Council and the Council's Pensions Fund and are prepared in accordance with the Accounting Code of Practice in Great Britain (ACOP) and the Best Value Accounting Code of Practice (BVACOP). These codes are incorporated into a Statement of Recommended Practice (SORP) which details who the accounting policies need to be applied and is the benchmark against which the accounts are audited.
- 6.2 A key part of the production of the accounts of the Authority is ensuring that accounting policies are applied in the most appropriate manner. The accounting policies that have been applied are found in the attached appendix.
- 6.3 The Audit Committee has a role to review the annual statement of accounts of the Authority specifically in relation to the application of these polices and in relation to the audit of accounts and any matters being raised by the external auditors.

6.4 In preparation of the 2006/07 statements there have been some fundamental presentational changes brought about. These are due to changes in the accounting regulations that govern the preparation of the accounts. The main changes are as follows:

- The removal of the Consolidated Revenue Account (CRA) replaced by an Income and Expenditure Account and a Statement of Movement on the General Fund.
- A new Statement of Total Recognised Gains and Losses (STRGL).
- The order of the statements and the notes have changed.
- The Housing Revenue Account (HRA) replace by an HRA Income and Expenditure Account and a Statement of Movement on the HRA.
- Group Accounts produced for the first time, with Homes for Haringey accounts being grouped with Haringey's Accounts, as a 100% subsidiary of Haringey Council.
- The accounts of Alexandra Palace and Park are now contained as an appendix to the main statements purely for information.

6.5 The majority of these are presentational changes and do not change the accounting policies being implemented.

7. Accounting Policies

7.1 The vast majority of the accounting policies have remained the same as in previous years. As stated above the format of the accounts has fundamentally changed but this has not resulted in any changes to the accounting policies.

7.2 The only changes in accounting polices are:

- **Basis of consolidation** – this has been amended to take out references to Alexandra Park and Palace, as the accounts of the Trust do not form any part of the Haringey accounts and are just appended to the accounts for information.
- **Basis of charges for use of fixed assets** – This has been removed as the ACOP no longer recognises the notional interest charge that Local Authorities have been required to make.
- **Debt Restructuring** – This has been added to clearly state what the Council's accounting policy is.
- **Prior year adjustments** – this has been amended to state that the 2005/06 have been amended due to the changes in the presentation of the accounts.

7.3 The accounting policies and their application is reviewed every year by the Audit Commission as part of the annual audit and there have been no issues raised in recent years with regard to this application.

8. Other important matters

- 8.1 We have worked closely with the Audit Commission to improve on the closure of accounts process in 2005/06 and fully taken into account recommendations that arose for the 2005/06 audit of accounts.
- 8.2 The Council has improved the 2006/07 accounts by working through the Audit Commission's action plan arising from the production of the 2005/06 accounts and by taking into account matters arising from the CPA Use of Resources action plan.
- 8.3 Particular emphasis has been placed on achieving excellent working papers to accompany the statements, which we have worked with the external auditors on, in order to gain a better understanding of what their requirements are.
- 8.4 In 2005/06 an Annual Report was produced which incorporated a set of summary accounts. For 2006/07, following positive feedback from the 2005/06 Annual Report and further consultation carried out, an Annual Report is again being produced and will be sent to all households with the September edition of Haringey People, as well as being published on the Council's website.
- 8.5 The external audit for 2006/07 accounts will commence on 1 July, the auditors will report any issues to this Committee on 11 September and then the accounts are due to be signed off by the auditors at the end of September.

9. Recommendations

- 9.1 That the Committee consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 9.2 That the committee note the draft Statement of Accounts 2006/07

Statement of Accounting Policies

The accounting policies set out below apply to the Financial Statements of the Authority and the Pension Fund.

General Principle

These accounts have been prepared in accordance with the Accounting Code of Practice on Local Authority Accounting in Great Britain (ACOP) and the Best Value Accounting Code of Practice (BVACOP), as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These codes have been approved as a Statement of Recommended Practice (SORP). The pension fund has been prepared in accordance with the Pensions SORP.

Accruals of Income and Expenditure

In the Revenue Account, income and expenditure are generally accounted for in the year in which they arise on an accruals basis, by the creation of material debtors and creditors, including estimates where appropriate.

Treatment of Debtors

The Authority undertakes to recover all outstanding debts. However, where debts prove to be irrecoverable, provisions are made and the debt is written off.

Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis. They are shown in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution is to be received.

Grants and contributions relating to fixed assets are credited to the Government Grants Deferred Account and released to the Asset Management Revenue Account in line with depreciation.

Cost of Support Services

The cost of central departments has been allocated to direct services on a variety of bases, reflecting the work provided by these support services.

Leases and PFI arrangements

Finance Leases – Under the Statement of Standard Accounting Practice (SSAP) 21, assets acquired under finance leases are treated as being in the ownership of the

lessee. Therefore the rental payments are charged to the Asset Management Revenue Account and the asset valuation is included within the Authority's fixed assets and depreciated accordingly.

Operating Leases - Rentals payable under operating leases are charged to revenue on an accruals basis and on a straight-line basis.

PFI (Private Finance Initiative) contracts and other long-term contracts are not accounted for on the Authority's balance sheet where the risks and rewards of ownership of the relevant assets have been transferred to or are with the contractor.

Basis of Consolidation

The Consolidated Balance Sheet aggregates the balance of each of the Authority's separate funds except for Trust Funds and the Pension Fund, for which separate information is provided.

Valuation of Stock

Stocks have been valued at net current replacement value, which is not in accordance with SSAP 9, as the difference between cost and net realisable value is not considered to be material.

Capital Receipts

These arise from the sale of long-term assets and from the repayment of capital advances for home purchases and housing associations. The receipts arising from the sale of General Fund assets are 100% usable by the Authority on capital expenditure. For the sale of HRA assets the Local Government and Housing Act 1989 requires these generated from the sale of Council housing to be split between a usable and a reserved element (25%/75%), any receipts generated from the sale of other housing land and buildings are split 50%/50%. As from 1st April 2004 the reserved element is paid over to Central Government. The usable part may be used to finance capital expenditure.

Deferred Capital Receipts

When the Authority disposes of long-term assets such as council dwellings and advances a mortgage to the purchaser, the mortgage is shown in the balance sheet as a long-term debt and an equal amount is shown as a deferred capital receipt. The long-term debt and deferred capital receipt are both written down as the principal is repaid by mortgagees.

Fixed Assets

Fixed assets are included in the Balance Sheet on the following basis:

- (a) operational land and properties are valued based on their existing use;
- (b) council housing is valued at market value and then has a social housing percentage applied to arrive at the valuation.

- (c) non-operational assets and investment properties are valued on the basis of their open market value and are classified in line with the 2006 SORP requirements;
- (d) infrastructure assets are included in the Balance Sheet at historical cost basis net of depreciation;
- (e) community assets such as parks are recorded at a nominal value;
- (f) intangible assets are valued at cost.

All valuations are subject to review as part of a five year rolling programme.

The Authority has a process for identifying impairments that have incurred on fixed assets, e.g. where fire damage has occurred to an asset resulting in a reduced valuation, and have applied this in accordance with Financial Reporting Standard (FRS) 11.

Where assets were purchased by finance leases, the annual rentals are charged to the revenue account. The related liability of future rentals payable is not shown in the accounts. The assets acquired by this facility are valued within fixed assets, where they are still owned by the Authority.

Deferred Charges

Deferred charges relate to expenditure on assets that do not belong to the Authority, for example Improvement Grants. The treatment of these costs is in line with CIPFA's recommendations in that:

- (a) Expenditure charged to the balance sheet is written out to service revenue accounts in the year in which the expenditure is incurred;
- (b) Financing costs for deferred charges are accounted for corporately after net expenditure has been disclosed.
- (c) No asset is shown within the Authority's balance sheet.

Depreciation

Where asset life is short-term, the value of those assets is written out to revenue using the straight-line method over the following periods:

| | |
|----------------------------|----------------|
| Vehicles Plant & Equipment | 5 years |
| Intangibles | 5 years |
| Infrastructure | 30 years |
| Buildings | 20 to 60 years |

Depreciation is charged on all assets except non-operational investment assets. Newly acquired assets are not depreciated in the year of acquisition and assets in the course of construction are not depreciated until they are brought into use.

Minimum Revenue Provision

In accordance with the requirements of the Local Government and Housing Act 1989, the authority has set aside a minimum revenue provision for repayment of debt. In addition the Authority has set aside a voluntary revenue provision to cover a capital

determination awarded by the Office of the Deputy Prime Minister (ODPM) in 2004/05 regarding the Alexandra Park and Palace debt.

Repurchasing of Borrowing

Where debt premiums or discounts have been incurred due to restructuring of the Council's debt portfolio these are written off over the lifetime of the old loan period, in the case of premiums or 10 years in the case of discounts.

Provisions

The Authority has made a number of provisions for liabilities that are certain to occur, but the timing and amounts are uncertain and have applied this in accordance with Financial Reporting Standard (FRS) 12.

Reserves

Expenditure is charged to revenue and not directly to any reserve. For each reserve established, the purpose, usage and basis of transactions are identified in the notes to the Authority's Financial Statements.

Retirement Benefits

The accounts have been produced in accordance with FRS17. The discount rate used in the calculation of FRS17 is the AA corporate bond rate in of 5.4%.

Value Added Tax

VAT is included within the accounts only where it is irrecoverable and where reimbursement of VAT paid is due from Customs and Excise.

Contingencies

Where the Authority can estimate with some certainty a contingent loss or gain, it has been included in the financial statements. However, where the cost cannot be accurately estimated, it is detailed by way of a note to the accounts.

Prior Year Adjustments

A number of changes to the SORP governing Local Authority Accounting have occurred this year which has resulted in fundamental changes to the format and layout of the Authority's accounts. Where these changes have occurred the comparator figures for 2005/06 have been amended, to allow for useful comparison, and notes have been included in the accounts to inform readers of where these changes have occurred.

Associated and Subsidiary Companies (FRS2)

The Authority has a financial relationship with a number of companies. Details are contained in the notes to the Authority's Financial Statements. The SORP requires Authorities to produce group accounts where group relationships occur with associated and subsidiary companies. London Borough of Haringey has a wholly

owned subsidiary in Homes for Haringey Ltd and therefore group accounts have been prepared in accordance with the accounting standards.

Post balance sheet events

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements were authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date)

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Audit Committee**On 26th June 2007**Report Title: **Annual audit report and assurance statement 2006/07**Report of: **Head of Audit & Risk Management**Wards(s) affected: **All**Report for: **Information****1. Purpose**

1.1 To inform Members of the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2006/07 and present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other bodies.

1.2 This report also fulfils the requirements of the Audit Committee terms of reference.

2. Recommendations

2.1 That the Audit Committee notes the content of the annual audit report and assurance statement for 2006/07.

2.2 That the annual audit report is referred to the next available full Council meeting for information.

Report Authorised by: Gerald Almeroth
Acting Director of Finance



Contact Officer: Anne Woods, Head of Audit and Risk Management

Tel: 020 8489 5973

Email: anne.woods@haringey.gov.uk

3. Executive Summary

3.1 Internal Audit has reviewed the effectiveness of the Council's systems of internal control for 2006/07 and has taken account of any relevant assurances obtained from other internal and external sources.

3.2 Overall, the Council's system of internal control is effective. Corporate governance is

effective with a locally approved Code. Budgetary control is effective, with no unexpected variances expected to be reported for 2006/07. Performance management is well established and monitored and there are appropriate action plans in place to address any areas of service provision which need improvement in order to meet the Council's own expectations for service delivery.

3.3 Improvements have been made to the overall performance management processes in place in order to evidence a cohesive approach to business planning and budget and performance management. Improvements in project management arrangements have been embedded during 2006/07 and ensure a robust framework for individual projects and a consistent corporate approach.

3.4 Internal controls are in place to maintain the highest levels of conduct by Council members, employees and external and partner organisations. The Council's anti-fraud and corruption policy and fraud response arrangements have proved effective in investigating allegations of financial and other irregularity.

3.5 Departmental arrangements for internal controls are generally effective. No internal audit reports have been issued with a 'no assurance' rating. Where reports have been issued with 'limited assurance', agreed action plans have been put in place and internal audit undertakes follow up reviews of all projects to ensure compliance. Effective actions have been taken in response to Internal Audit recommendations, or agreement has been reached with local management on an action plan to address any areas still outstanding.

4. Reasons for any change in policy or for new policy development (if applicable)

4.1 None

5. Local Government (Access to Information) Act 1985

5.1 List of background documents:

The following background documents were used in production of this report:

- Accounts and Audit Regulations 2003
- CIPFA Code of Practice for Internal Audit 2006
- CIPFA guidance on the statement on internal control

6. Background

6.1 One of the terms of reference for the Audit Committee is *'to receive the annual assurance report from the Director of Finance'*. In order to satisfy this requirement, the Head of Audit and Risk Management issues a formal annual report which:

- Includes an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- Discloses any qualifications to that opinion, together with the reasons for the qualification;
- Presents a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;

- Draws attention to any issues that the Head of Audit and Risk Management considers particularly relevant to the preparation of the statement on internal control (SIC); and
- Compares the work actually undertaken with the work that was planned and summarises the performance of the Internal Audit function against its locally set performance targets.

6.2 The main issues raised as a result of Internal Audit activity during 2006/07 are included in this report, thereby providing an overview of the effectiveness of internal control across the Council.

6.3 The Accounts and Audit Regulations 2003, which came into effect on 1st April 2003, required that 'the relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices, with any statement of accounts it is obliged to publish.'

6.4 As part of the 2003 Regulations, the Council is required to review, at least annually, the effectiveness of its system of internal control and to include an annual statement on internal control within the Council's published accounts. This report fulfils the first part of these requirements and any issues which require inclusion in the Statement on Internal Control (SIC) will be highlighted.

6.5 Assurance on the adequacy and effectiveness of the council's internal control environment can be drawn from various internally produced reports. During 2006/07 this includes the quarterly Internal Audit progress reports, the regular budget and performance management reports, the risk management strategy and business unit, departmental and corporate risk registers and the SIC for the 2006/07 financial year. This report draws together the key elements from each of these sources to provide the overall opinion on internal control

7. Overall Audit Opinion

7.1 Internal Audit's work for the 2006/07 year has been completed in accordance with the plan agreed by the Audit Committee. The plan was designed to ensure adequate coverage over the year of the Council's accounting and operational systems.

7.2 The Internal Audit work, using a risk based approach, included reviews of those systems, projects, and establishments sufficient to discharge the Director of Finance's responsibilities under s151 of the Local Government Act 1972; the CIPFA Code of Practice for Internal Audit and the 2003 Accounts and Audit Regulations. The opinion is based on the work undertaken. Work as planned and performed in order to obtain the information necessary to provide sufficient evidence to give reasonable assurance of the internal control systems tested.

7.3 Based upon the work of Internal Audit and other sources of assurance outlined in this report, the Head of Audit and Risk Management can provide an opinion that the internal controls in operation are effective. The opinion relates only to the systems and areas reviewed during the year.

8. Corporate Governance

- 8.1 The Council's corporate governance arrangements provide effective direction and control of its functions, and how the Council relates effectively to the local community. These arrangements are underpinned by the Council's Local Code of Corporate Governance which was developed to comply with the CIPFA/SOLACE recommended framework and guidance on corporate governance. These arrangements have been in place and operating effectively for a number of years and no issues of non-compliance were noted during 2006/07.
- 8.2 The Council's key priorities, which support the Community Strategy, are based on a wide-ranging and effective consultation programme to reflect the issues, concerns and aims of residents, local businesses and community groups. The Council's key priorities were reviewed and updated during 2006/07 to reflect the requirements of the Community Strategy going forward.
- 8.3 Corporate controls are in place to help ensure that policy setting and decision making is carried out in accordance with the Council's Constitution and also that the actions of Members and officers comply with established policies, procedures, relevant laws and regulations.

9. Financial Management and Budgetary Control

- 9.1 Financial management across the Council is effective, with corporate and other financial systems and controls operated by the Finance Department and with devolved financial arrangements operated within the service departments. The Council's Financial Procedure Rules and Standing Orders are supported by management and central controls which are designed to maintain effective management across all departments.
- 9.2 Council tax setting is well managed and in accordance with relevant statutory requirements. Overall financial standing is sound, having received a score of three out of four for the 'use of resources' block in 2006. The Council's accounting arrangements are effective overall, although some issues required further action as noted in the Audit Commission's Annual Opinion Report. An agreed action plan is in place to ensure that these are addressed.
- 9.3 Budgetary control across the Council has been maintained during 2006/07. The annual accounts are still in the process of being closed and finalised. Final outturn figures are available which show no unexpected variances have been raised or reported by any department to date during the closing of accounts processes.

10. Performance Management

- 10.1 The Council's arrangements for performance management are well established and contribute to the achievement of the Council's aims and objectives. The key national and local indicators and targets, and individual performance against each of these are monitored and reported on a monthly basis via the Finance and Performance reports. Actions plans to address any areas not meeting the targets, or requiring corrective action to be taken, are in place and are also reported as part of the Finance and Performance reports. The CPA reported that nearly three quarters of the national indicators measuring the council's performance had been maintained or improved. The Council also uses a 'balanced scorecard' to report overall performance.

- 10.2 Improvements in the Council's arrangements for managing projects have been maintained during 2006/07. The Council's Project Management Office (PMO) provides administration support and an oversight role for all council projects, ensuring agreed guidelines and procedures are followed in a more consistent manner. In addition, Internal Audit provide resources as part of the annual audit plan to assist in providing assurance that individual projects are complying with procedures as well as providing advice and guidance on an ongoing basis.
- 10.3 Performance on a wide range of financial and non-financial issues is also regularly monitored within departments. This is done as part of regular Departmental Management Team meetings as well as the corporate budget management and review meetings and Finance and Performance reports.

11. Risk Management

- 11.1 A substantial amount of work has been undertaken to implement and further embed risk management arrangements throughout the organisation and in key business processes. During 2006/07, regular reports to managers and members by Internal Audit provided updates on the management of key business risks. In addition, risk registers were maintained by business units and departments and updated in conjunction with Internal Audit.
- 11.2 In addition, Internal Audit reviewed a number of business unit risk registers and tested the key controls which management had stated were in place to ensure the controls were in place and effective in managing the identified risks. Of the risk registers tested, no 'red' assurance ratings were given, 1 received 'green' assurance and 7 received 'amber' assurance. Based on the testing completed, the risks identified within business units were being managed appropriately.
- 11.3 Risk management is contained within all the key business and project management processes of the Council. It is a specific requirement of all business plans that all key risks are identified, together with the management controls in place. This ensures that any resource implications are considered at the business planning stage. The Council's project management framework has risk identification and management as one of its core objectives, therefore allowing any key risks to the success of the project to be appropriately managed from the beginning of the project.
- 11.4 Feedback from the CPA recognises the development of this area and the systems put in place ensure that risks are considered at the most appropriate level. The Council's risk management arrangements are generally effective and work will continue to ensure that this area continues to improve.

12. Summary of Internal Audit work

- 12.1 Internal Audit services, excluding the investigation of fraud and corruption, are provided by Deloitte & Touche. A full report is issued for every planned project in the annual audit plan. The report provides an overall audit opinion according to the seriousness of the findings. In addition, each recommendation is given a priority rating, to assist service management in prioritising their work to address agreed recommendations. The overall classification given was that applying at the completion of the audit work. In each case, recommendations are agreed with the client for the work and an action plan

completed, showing responsible officer and timescales to address the weaknesses identified.

- 12.2 The recommendations made should be sufficient to address all the control weaknesses identified. As long as the recommendations have been implemented as agreed in the action plan, the risks presented should be addressed, and the residual risk would fall. A definition of the overall classification is shown in Table 1 below:

Table 1

| Assurance Level | Definition |
|------------------------|---|
| Full Assurance | There is a sound system of control designed to achieve the system objectives. |
| Substantial Assurance | While there is a basically sound system, there are weaknesses, which put some of the system objectives at risk. |
| Limited Assurance | Weaknesses in the system of controls are such as to put the system objectives at risk. |
| No Assurance | Control is generally weak leaving the system open to significant error or abuse. |

- 12.3 For 2006/07 a total of 70 projects, including schools and social services establishment visits, formed the 2006/07 annual audit plan. Resources to assist departments with risk management and project management arrangements were also delivered, although no reports are issued in these areas. In addition, requests for additional audit work were made during 2006/07 and a further 10 projects were completed. A summary of the work completed, by 31 March 2007, against the planned work is shown at Table 2 below. Including additional projects, a completion rate of 91% was achieved by 31 March 2007.

Table 2 – Planned work vs. actual completion rates

| | Number of projects planned | Number of final reports issued | Number of draft reports issued | % |
|---------------------|-----------------------------------|---------------------------------------|---------------------------------------|-----------|
| Key systems | 15 | 11 | 2 | 87 |
| Other systems | 30 | 23 | 5 | 93 |
| Establishments | 2 | 2 | 0 | 100 |
| Schools | 23 | 14 | 6 | 87 |
| Additional projects | 0 | 10 | 0 | 100 |
| Total | 70 | 60 | 13 | 90 |

- 12.4 Internal Audit performs reviews of the Council's key systems on an annual basis. This is completed in agreement with the Audit Commission as part of the managed audit approach to ensure that audit resources are used effectively and duplication of work between internal and external audit is minimised. The assurance levels provided for the key systems work is shown in Table 3 below (3 reports are still to be finalised for 2006/07). For comparison purposes, the assurance levels for 2005/06 are also included.

Table 3 – key systems assurance ratings

| Assurance level | 2005/06 | 2006/07 |
|------------------------|----------------|----------------|
| Full | 0 | 1 |
| Substantial | 10 | 9 |
| Limited | 0 | 1 |
| Nil | 0 | 0 |
| Total | 10 | 11 |

- 12.5 All general systems work is followed up to ensure recommendations have been implemented. The results of the follow up programme are reported separately. The timing and nature of each follow up depends on the risk assessment of the area at the end of the original audit project.
- 12.6 There are no national or Best Value performance indicators for internal audit work. However, we have been set two local performance indicators, which are reported to the Audit Committee on a quarterly basis. These are in line with current best practice targets across the public sector. Performance of the whole service for 2006/07 is recorded in Table 4 below.
- 12.7 Internal Audit issues questionnaires on the completion of all key systems and general systems work in order to obtain feedback from the identified client. The average satisfaction rating from the 18 customer evaluation questionnaires received during 2006/07 was 3.4, on a scale where 1 is low and 5 is high.

Table 4 – Local performance measures

| Performance indicator | Actual | Target |
|---|---------------|---------------|
| Audits completed against the planned programme (Deloitte) | 90% | 95% |
| User satisfaction [1 low to 5 high] | 3.4 | 3.5 |

- 12.8 This level of audit coverage is satisfactory and complies with the 2006 CIPFA Code of Practice for Internal Audit.

13. In-house team – fraud and irregularities

- 13.1 In accordance with the Council's Constitution, Internal Audit investigates all cases that fall outside the remit of the Housing Benefit Fraud Investigation Team and the Council's Information Security Policy.
- 13.2 During 2006/07, a total of 31 investigations were completed involving Council employees. The allegations covered a number of issues including working whilst off sick and irregular use of leisure card facilities. Table 5 below summarises the investigations completed by department. For comparison purposes, figures for 2005/06 are included.

Table 5 – Investigations by department

| Department | Investigations Completed 2005/06 | Investigations Completed 2006/07 |
|-------------------------------------|---|---|
| Chief Executive – OD | 0 | 0 |
| Chief Executive – Access | 6 | 7 |
| Chief Executive - Strategy | 0 | 0 |
| Finance | 2 | 6 |
| Children and Young People's Service | 2 | 7 |
| Housing Services | 6 | 2 |
| Social Services | 1 | 4 |
| Environmental Services | 2 | 5 |
| Total | 19 | 31 |

13.3 The Council's anti-fraud and corruption arrangements are robust, with a clear strategy and detailed fraud response plan in place. All referrals are investigated and the investigation team is adequately resourced and trained. Investigations are managed according to all relevant statutory requirements, including Data Protection, Regulation of Investigatory Powers and Police and Criminal Evidence Acts, which are supported by agreed internal procedure manuals.

13.4 Operational arrangements are supported by Codes of Conduct, the Employees Disciplinary Code and the Whistleblowing Policy. All of these are available via the Council's intranet and website. In addition, the council has a dedicated email address and telephone number, which is advertised on the Council website, by which members of the public can reports instances of suspected fraud or irregularity.

14. Statement on Internal Control

14.1 The annual assurance report should draw attention to any issues that the Head of Audit and Risk Management considers particularly relevant to the preparation of the statement on internal control (SIC).

14.2 CIPFA guidance dictates the form and basic content of the SIC and its approval and publication with the authority's statement of accounts represents the end process of the annual review of internal control.

14.3 Internal control is effective in most areas within the council. The main areas for continuing action which need to be included within the SIC relate to:

- Further work will be undertaken to ensure that the business unit, departmental and corporate risk registers are monitored, reviewed and updated appropriately to take account of the re-shaped organisational structure.
- Partnership working has been identified as a key development area for the Council. The risk management programme will therefore encompass all key partnerships to ensure that these have been properly identified, appropriate risk assessments are produced and reviewed and that there are effective arrangements in place for risk sharing.

15. Other sources of assurance

15.1 The CIPFA guidance states that in practice councils are likely to take assurance from the work of Internal Audit when discharging their responsibility for maintaining and reviewing the system of internal control and that external audit and other review agencies and inspectorates are also potential sources of assurance.

15.2 In formulating the overall opinion on internal control, the Head of Audit and Risk Management took into account the work undertaken by other bodies and the assurances provided as follows:

- The external auditor's annual assessment for the Use of Resources, including financial standing, financial reporting, financial management and internal control;
- The Comprehensive Performance Assessment (CPA) by the Audit Commission;
- Directors' Management Statements of Assurance;
- Office of Surveillance Commissioner's report on directed surveillance arrangements; and
- Independent peer review of the effectiveness of Internal Audit.

15.3 The Audit Commission rated Haringey as a 'good' authority, and improving well, in the 2006 CPA.

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Audit Committee**on 26th June 2007**

Report Title: **The review of the Effectiveness of the system of Internal Audit**

Report of: **Head of Audit & Risk Management**

Wards(s) affected: **All**

Report for: **Non-key decision**

1. Purpose

1.1 To inform Members of the requirements of the Accounts and Audit (amendment) (England) Regulations 2006 and the action taken to address these.

2. Recommendations

- 2.1 That the Audit Committee notes the findings of the review of the effectiveness of the system of internal audit.
- 2.2 That the Audit Committee approves the action plan to address the identified areas for development.

Report Authorised by: Gerald Almeroth
Acting Director of Finance



Contact Officer: Anne Woods, Head of Audit and Risk Management

Tel: 020 8489 5973

Email: anne.woods@haringey.gov.uk

3. Reasons for any change in policy or for new policy development (if applicable)

3.1 None

4. Local Government (Access to Information) Act 1985

4.1 List of background documents:

The following background documents were used in production of this report:

- Accounts and Audit (amendment) (England) Regulations 2006.

5. Background

- 5.1 Regulation 4 of the Accounts and Audit Regulations (2003) required audited bodies to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements.
- 5.2 The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1 April 2006. Whilst many of the amendments clarify or correct elements of the 2003 Regulations, two of the amended regulations in particular have an impact on the process for preparing the SIC:
Regulation 4 requires the findings of the review of the system of internal control to be considered by a committee of the relevant body, or by members of the body meeting as a whole.
Regulation 6 requires bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4.
- 5.3 The requirement to review Internal Audit does not specify what the review should consist of, nor does it state who should undertake this task. However, as the Audit Committee has responsibility for approving the Statement on Internal Control (SIC), it is considered appropriate that this Committee should have responsibility for approving how the new responsibility under Regulation 6 is discharged.
- 5.4 This report provides the Audit Committee with references to existing procedures, sources of information and measures in place in order to assist in being able to reach a conclusion on the adequacy and effectiveness of the Internal Audit Service.
- 5.5 In order to assess compliance with the amended regulations, Haringey's Internal Audit service was independently reviewed. The review was based on the revised CIPFA Code of Practice for Internal Audit in Local Government which was issued in December 2006 and covered the requirements of the Accounts and Audit Regulations.

6. Existing Processes and Sources of Assurance

- 6.1 The Council's Constitution contains the relevant statutory requirements for Internal Audit, and identifies the s151 Officer. Responsibilities of managers in relation to the management of risk and fraud are also included within the Constitution.
- 6.2 Audit and Risk Management follow the CIPFA Code of Practice for Internal Audit in Local Government 2006 which covers the following areas:
- Scope of Internal Audit
 - Independence
 - Ethics

- Audit Committees
- Relationships
- Staffing, Training and Continuing Professional Development
- Audit Strategy and Planning
- Undertaking Audit Work
- Due Professional Care
- Reporting
- Performance, Quality and Effectiveness

- 6.3 In addition, members may gain assurance on the effectiveness of the system of internal audit from a number of other sources, including:
- The Constitution (overall governance arrangements)
 - Management Structure (Directors Assurance Statements)
 - Audit Committee (terms of reference)
 - Audit Commission (CPA and Use of Resources reviews)
 - External Audit reports (Annual Audit and Inspection Letter)
 - Annual Internal Audit Report
 - Training provided (e.g. briefing sessions for Audit Committee).

7. The Independent Review

- 7.1 In order to comply with the Accounts and Audit Regulations, arrangements were made between the London Borough of Haringey (LBH) and the Royal Borough of Kensington and Chelsea (RBKC) to carry out reciprocal peer group reviews of compliance with the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006.
- 7.2 The approach was developed with reference to appropriate standards and available guidance and a Terms of Reference for the review was agreed. A copy of the Terms of Reference is included at Appendix A.
- 7.3 In order to reach an opinion, the Internal Audit function at LBH was compared against the requirements of the CIPFA Code of Practice. A visit to LBH's Internal Audit department was made by RBKC and evidence of compliance against the CIPFA Code of Practice checklist was reviewed.
- 7.4 Based on the review undertaken, the Haringey's Internal Audit function was found to comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006).
- 7.5 RBKC issued a report on their findings, which is attached at Appendix B. The report details the work undertaken and, although no high priority recommendations were made, identifies some areas for improvement in order to fully meet the CIPFA Code of Practice and Accounts and Audit Regulations.
- 7.6 In order to address these, an action plan has been drawn up and is attached at Appendix C for approval.

APPENDIX A

INDEPENDENT REVIEW OF INTERNAL AUDIT (2006/07) - TERMS OF REFERENCE

The terms of reference for undertaking an independent review of the arrangements made by the Authority in their provision of an effective internal audit function are set out below. This review will concentrate on the position of internal audit within the Authority and their performance / outcomes during 2006/07.

1. OVERALL OBJECTIVES

Objective1: To determine and assess the performance and effectiveness of the internal audit function against professional and local standards.

Objective2: To identify good practice and make recommendations for ensuring that the Authority's internal audit function is continuously seeking to improve its service and adds value as well as contributes to the organisation's strategic objectives / priorities and the effectiveness of and internal control framework.

Objective 3: To provide independent assurance to members, management and the authority's residents, key partners/stakeholders as to the effectiveness of internal audit and the internal control framework.

2. OUTCOMES

To provide a report to the s151 officer and develop a programme and action plan for addressing any weaknesses identified. The report and action plan will be reported to the Authority's relevant Committee and be used as evidence in support of providing assurance on the Council's overall governance arrangements and the system of internal control including the drawing up of the Authority's Statement of Internal Control (SIC).

3. BACKGROUND

This review is commissioned by the Authority's s151 officer in response to requirement under the Accounts and Audit regulations 2003 (as amended in 2006) to conduct an annual review of the effectiveness of its system of internal audit.

For the purposes of this review, proper practices in relation to internal audit relate to CIPFA's 2006 Code of Practice for Internal Audit in local government in the UK as supplemented by local standards. These standards define the way in which the internal audit service should be established and should undertake its functions. They apply equally to internal audit services provided by in-house audit units; or those provided by external contractors who provide either partial services in support of an in house team or the whole internal audit service

The annual review of the effectiveness of the system of internal audit is to be informed by several sources including reviews undertaken by external audit and/or other external inspections.

4. APPROACH AND SCOPE OF THE REVIEW

This review is to be undertaken by appropriately qualified and independent "reviewers". Such reviews are undertaken at least once a year and are based on 11 standards as promoted by CIPFA. In particular, the review will draw heavily on

INDEPENDENT REVIEW OF INTERNAL AUDIT (2006/07) - TERMS OF REFERENCE

the CIPFA Checklist – compliance with the code which is to be completed by the Authority's Internal Audit/Head of Internal Audit. The completed checklist and accompanying evidence is then to be independently reviewed, evaluated and reported upon in terms of forming an opinion to the S151 officer as to the performance and effectiveness of the internal audit function. Where appropriate, key officers of the Authority will be interviewed. In addition, relevant evidence will be requested and examined. Client surveys/compliance testing is not being undertaken as part of this review.

Specific emphasis will be placed on the following areas:-

- The terms of reference for the internal audit service
- The independence and objectivity of internal audit
- The efficiency and effectiveness of the approach adopted in formulating the audit strategy and plans
- Compliance with CIPFA and local standards including accompanying guidance e.g. audit manual
- The achievement of key performance standards / indicators
- The adequacy and mix of resources to deliver its work & development/improvement plans and programmes
- The reporting arrangements to management and members

5. **REPORTING ARRANGEMENTS**

Upon completion of this review, an exit meeting will be held with the nominated officer of the Authority, following which a draft report will be presented for consideration/comment to the section 151 officer.

6. **WORK PLAN / COST**

The proposed work plan is set out below:

| | Deadline |
|---|-----------------|
| • Planning | End March |
| • Interviews (where appropriate) | End April |
| • Evaluation | End April |
| • Feedback & Report (Including interim report at the end of April 2007) | End May |

The review is estimated to take approximately 2-4 days depending upon the need to undertake interviews/seek clarification or require further evidence. The cost is to be met through a reciprocal arrangement with another local authority.

Signed: _____ (S151 officer)
Date: _____

Signed: _____ (Head of Audit)
Date: _____

London Borough of Haringey
Review of the Effectiveness of the System of Internal
Audit
FINAL AUDIT REPORT

May 2007

Report circulated to: Anne Woods – Head of Audit and Risk Management
LB of Haringey

Prepared by: Steve Armstrong – Audit Manager
Royal Borough of Kensington and Chelsea

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EXECUTIVE SUMMARY

1. The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, requires that a "relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices". These regulations also require that provision for Internal Audit must be made in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006.
2. Regulation 4 of the Accounts and Audit Regulations (2003) required audited bodies to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements.
3. The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1 April 2006. Whilst many of the amendments clarify or correct elements of the 2003 Regulations, two of the amended regulations in particular have an impact on the process for preparing the SIC:
 - **Regulation 4** requires the findings of the review of the system of internal control to be considered by a committee of the relevant body, or by members of the body meeting as a whole.
 - **Regulation 6** requires bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4.
4. To comply with these requirements arrangements have been made with the London Borough of Haringey to carry out reciprocal peer group reviews of compliance with the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006.
5. This report details the results of the review carried out by the Royal Borough of Kensington and Chelsea's Internal Audit, of the effectiveness of the London Borough of Haringey's system of internal audit.
6. In order carry out this review Internal Audit at the London Borough of Haringey was compared against the requirements of the CIPFA Code of Practice for Internal Audit. The reviewer visited Haringey's Audit department and compared evidence of compliance against the CIPFA Code of Practice checklist. The Code of Practice comprises the following eleven standards and the checklist addressed all of these detail to ensure compliance:

- Scope of Internal Audit
 - Independence
 - Ethics for Internal Auditors
 - Audit Committees
 - Relationships
 - Staffing, Training and Continuing Professional Development
 - Audit Strategy and Planning
 - Undertaking Audit Work
 - Due Professional Care
 - Reporting
 - Performance, Quality and Effectiveness
7. A detailed summary of the findings of the review are attached at Appendix A. No high priority recommendations were made as part of this review. **The London Borough of Haringey's system of internal audit was found to be compliant with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006.**
8. A small number of areas for development were identified as part of this review and recommendations were made to address these issues. These are summarised below:
- Head of Audit should report in own name to Audit Committee.
 - Declaration of interests should be formally taken into account as part of planning process.
 - The Audit Committee should regularly review it's own remit and effectiveness.
 - Relations with other regulators and inspectors should be defined.
 - The Audit Strategy should include the resources and skills required for it's delivery.
 - An access policy should be developed and documented in respect of audit files and records.
 - The annual report to support the Statement on Internal Control presented to the Audit Committee should include a comparison of the actual work undertaken with that planned

CIPFA Code of Practice - Standards

| 2006 Code standard | Evidence of Achievement | Areas for development |
|---|---|---|
| <p>1. Scope of Internal Audit</p> <ul style="list-style-type: none"> •Terms of reference •Scope •Responsibilities in respect of: <ul style="list-style-type: none"> -Other organisations -Fraud and corruption | <p>1.1 Terms of reference reflecting the current Code of Practice were approved by the Audit Committee on 26 April 2007.</p> <p>1.2 The scope of audit work takes into account risk management processes and wider internal control.</p> <p>1.3 The terms of reference define audit responsibilities in relation to fraud and consultancy work.</p> | |
| <p>2. Independence</p> <ul style="list-style-type: none"> •Organisational independence •Status of Head of Internal Audit •Independence of individual internal auditors •Independence of internal audit contractors •Declaration of interest | <p>2.1 Internal Audit is independent of the activities it audits.</p> <p>2.2 The Head of Audit has direct access to those charged with governance, members and officers as necessary.</p> <p>2.3 Reports are in the Head of Audit's own name to management however not to the Audit Committee.</p> <p>2.4 No conflict of interests between operational responsibilities and audit was found.</p> <p>2.5 Auditors are required to declare interests however these are not formally taken into account as part of the planning process.</p> | <p>Head of Audit should report in her own name to Audit Committee.</p> <p>Declaration of interests should be formally taken into account as part of the planning process.</p> |

| 2006 Code standard | Evidence of Achievement | Areas for development |
|---|--|--|
| <p>3. Ethics</p> <ul style="list-style-type: none"> • Integrity • Objectivity • Competence • Confidentiality | <p>3.1 Staff are regularly reminded of their ethical responsibilities.</p> <p>3.2 Internal Audit has established an environment of trust, confidence and confidentiality.</p> <p>3.3 Staff rotation is part of normal processes.</p> <p>3.4 The Head of Audit ensures that staff have sufficient knowledge of the organisation and specific audit area in order to fulfil the scope of audit work.</p> | |
| <p>4. Audit Committee</p> <ul style="list-style-type: none"> • Purpose of the Audit Committee • Internal Audit's relationship with the Audit Committee | <p>4.1 The Audit Committee approves and monitors Internal Audits terms of reference, strategy and plan and monitors progress.</p> <p>4.2 The Head of Audit attends the Audit Committee meetings, reports on the outcome of internal audit work, identifies necessary changes to the audit plan, and presents an annual report and opinion or assurance on the internal control and risk management framework. However the Committee do not review their own remit and effectiveness.</p> <p>4.3 The Head of Audit has the facility to meet privately with the Committee.</p> | <p>The Audit Committee should regularly review it's own remit and effectiveness.</p> |

| 2006 Code standard | Evidence of Achievement | Areas for development |
|---|--|--|
| <p>5. Relationships</p> <ul style="list-style-type: none"> •With management •With other internal auditors •With external auditors •With other regulators and inspectors •With elected Members | <p>5.1 Good working relationships have been defined and established with management, external audit and elected members.</p> <p>5.2 Relationships with other regulators and inspectors have not been as well explored.</p> | <p>Relations with other regulators and inspectors should be defined.</p> |
| <p>6. Staffing, Training and Development</p> <ul style="list-style-type: none"> •Staffing •Training and CPD. | <p>6.1 Internal Audit are appropriately staffed to achieve their objectives and comply with the Code standards.</p> <p>6.2 Individual training and development plans have been agreed through the appraisal process and are being delivered.</p> <p>6.3 Professional staff are required to complete CPD.</p> | |

| 2006 Code standard | Evidence of Achievement | Areas for development |
|---|--|---|
| <p>7. Audit Strategy and Planning</p> <ul style="list-style-type: none"> •Strategy •Planning •Adherence to the Standard | <p>7.1 The Audit Strategy complies with the Code of Practice and has been formally approved by the Audit Committee. It is reviewed annually, however the resources and skills required for it's delivery are not specified in the strategy.</p> <p>7.2 The Audit Plan has been prepared in accordance with the strategy and was approved by the Audit Committee. The corporate risk register has been used as the basis of the plan. The Head of Audit has also carried out a risk assessment.</p> <p>7.3 Stakeholders were consulted on the plan.</p> | <p>The Audit Strategy should include the resources and skills required for it's delivery.</p> |
| <p>8. Undertaking Audit Work</p> <ul style="list-style-type: none"> •Planning •Approach •Recording Audit Assignments | <p>8.1 An appropriate audit brief is prepared and agreed with management for each audit.</p> <p>8.2 A risk-based approach is used and issues are discussed with management as they arise.</p> <p>8.3 Standards of working papers are specified and checked as part of the file review.</p> <p>8.4 An adequate document retention policy is in place, however there is not a documented access policy.</p> | <p>An access policy should be developed and documented in respect of audit files and records.</p> |

| 2006 Code standard | Evidence of Achievement | Areas for development |
|--|--|------------------------------|
| <p>9. Due Professional Care</p> <ul style="list-style-type: none"> •Responsibilities of the individual auditor •Responsibilities of the Head of Internal Audit •Head of Internal Audit reviews all audit files and reports. •Appraisal and training | <p>9.1 All internal auditors are aware of their individual responsibilities for due professional care, and arrangements are in place to monitor this.</p> <p>9.2 Work is assigned so as to avoid potential conflicts of interest.</p> <p>9.3 Procedures and policies are in place for the disclosure of fraud, corruption or improper conduct e.g. Anti-Fraud strategy and Whistle-blowing policy.</p> | |

| 2006 Code standard | Evidence of Achievement | Areas for development |
|---|---|---|
| <p>10. Reporting</p> <ul style="list-style-type: none"> • Reporting on audit work • Annual reporting | <p>10.1 Standards have been set-out for audit reports, and each report gives an opinion on the control environment and risk exposure.</p> <p>10.2 Draft reports are discussed with management and action plans agreed in response to recommendations made.</p> <p>10.3 Assurances are sought from managers on delivery of agreed actions and an escalation procedure has been defined and is used as appropriate.</p> <p>10.4 Issues are referred as necessary, to ensure that risk registers are up-dated.</p> <p>10.5 An annual report to support the Statement on Internal Control is presented to the Audit Committee. The report includes the opinion on the control environment and any qualifications to that opinion. The work on which the opinion is based is set out in the report and significant issues are highlighted. The report does not compare the actual work undertaken with that planned.</p> | <p>The annual report to support the Statement on Internal Control presented to the Audit Committee should include a comparison of the actual work undertaken with that planned.</p> |

| 2006 Code standard | Evidence of Achievement | Areas for development |
|--|--|------------------------------|
| <p>11. Performance, quality and effectiveness</p> <ul style="list-style-type: none"> •Principles of performance, quality and effectiveness •Quality assurance of audit work •Performance and effectiveness of the internal audit service | <p>11.1 Policies and procedures are defined in the audit manual.</p> <p>11.2 The Head of Audit has adequate arrangements in place to assess the performance and effectiveness of each audit and of the service as a whole.</p> <p>11.3 Audits are assigned according to the skills, experience and competencies required for the work. Audit work is appropriately supervised and monitored throughout.</p> <p>11.4 A performance management and quality assurance programme is in place.</p> <p>11.5 Client feedback forms are issued with each final report and are summarised in the annual report.</p> <p>11.6 Arrangements have been made for periodic reviews to ensure compliance with the Code of Practice and the audit manual and processes.</p> | |

INTERNAL AUDIT REVIEW OF EFFECTIVENESS 2006/07 – ACTION PLAN

| Recommendation | Response | Responsibility & Implementation Date |
|--|---|---|
| Head of Audit should report in their own name to the Audit Committee. | Agreed. Arrangements in place. | Head of Audit June 2007 |
| Declaration of interests should be formally taken into account as part of the planning process. | Agreed. Will be completed formally for 2008/09 audit plan. Review of declarations will take place to ensure any risks identified are appropriately included in the 2007/08 annual audit plan. | Head of Audit/Deloitte & Touche July 2007 |
| The Audit Committee should regularly review its own remit and effectiveness. | Agreed. A review of the Audit Committee's remit and effectiveness will be undertaken during 2007/08. | Head of Audit/Audit Committee October 2007 |
| Relations with other regulators and inspectors should be defined. | Agreed. The relationships with other regulators and inspectors will be formally defined in a protocol and will be included in the audit manual. | Head of Audit August 2007 |
| The Audit Strategy should include the resources and skills required for its delivery. | Agreed. The Audit Strategy will be updated to reflect the agreed resource and skills mix. | Head of Audit September 2007 |
| An access policy should be developed and documented in respect of audit files and records. | Agreed. A formal access policy will be documented which complements the existing procedures and will be included in the audit manual. | Head of Audit August 2007 |
| The annual report to support the Statement on Internal Control presented to the Audit Committee should include a comparison of the actual work undertaken with that planned. | Agreed. Completed for the 2006/07 annual internal audit report. | Head of Audit June 2007 |

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Agenda item:

Audit Committee**On 26 June 2007**Report Title: **Comprehensive Performance Assessment (CPA)****Use of Resources – 2007 Action Plan**Report of: **Acting Director of Finance**Wards(s) affected: **All**Report for: **Non-key decision****1. Purpose**

1.1 To inform the Committee of the action plan in place for 2007.

2. Recommendation

2.1 To note the CPA Use of Resources Action Plan attached at Appendix A.

Report Authorised by: **Gerald Almeroth, Acting Director of Finance**

Contact Officer: **Kevin Bartle , Acting Head of Corporate Finance, 020 8489 3743****3. Executive Summary**

3.1 The report outlines the Council's action plan to prepare for the 2007 CPA Use of Resources assessment. The plan specifically focuses on criteria which will gain 'must have' status for the 2007 assessment; it concentrates upon areas that need strengthening and improvement (those scoring a 2 in 2006) and additionally sets out our timeframe to achieve such improvements.

4. Reasons for any change in policy or for new policy development (if applicable)

4.1 No change of policy is proposed.

5. Local Government (Access to Information) Act 1985

5.1 Background documents used in the preparation of this report:

Haringey Council – Use of Resources Assessment 2007.

Haringey Council – previous CPA action plans and self assessments

6. Background

6.1 The CPA Use of Resources judgements assess how well councils manage and use their financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the council's priorities and improve services. It makes judgements in five areas:

financial reporting;
financial management;
financial standing;
internal control; and
value for money.

7. Key Features of the Assessment

7.1 The assessment is undertaken yearly at all councils. It is integrated with work carried out as part of the Code of Audit Practice. For 2007, the assessment is more closely aligned with auditors' responsibilities under the Code than in previous years as it will cover the same period. It assesses arrangements in place at the end of, and performance and financial information relating to, the 2006/07 financial year.

7.2 For single tier (including London Borough Councils) and county councils, the overall use of resources assessment score is a component of the council's Comprehensive Performance Assessment (CPA) framework star rating. The use of resources judgements are also used to inform the council's direction of travel assessment where relevant.

7.3 The value for money theme complements councils' processes in producing their annual efficiency statements. Auditors will review arrangements underpinning those statements. They will report by exception if they have any significant concerns about how the statement is compiled or where the statement is not consistent with their knowledge of the council.

- 7.4 The use of resources assessment supports continuous improvement and will help establish minimum requirements for reducing regulation in the future. The approach for 2007 places reliance on evidence gained in previous years and auditors will update their assessments for any changes and improvements.
- 7.5 Auditors will undertake their fieldwork at all councils between April and October. Scores will be notified to councils in December 2007.

Haringey's Position

- 7.6 In 2006 the CPA framework was revised and in particular the Use of Resources was further developed to become a stronger measure of cost-effectiveness and value for money. The Use of Resources block in 2006 was a 'harder test' and also has a higher weighting in the Council's overall CPA score.
- 7.7 The Audit Commission in November 2005 scored the Council 3 out of 4 for the use of resources and in December 2006 we maintained that 3 out of 4 score. This was very much in line with expectations and positively contributed to the Council as a whole achieving three stars overall.
- 7.8 The scores for each of the key lines of enquiry, which were set out in five key judgement areas, were reported to this committee in January 2007 (and are attached to this report as Appendix B for ease of reference). It has been our intention to improve our position yet again by way of specifically focusing on the criteria which will gain 'must have' status for the 2007 assessment. (i.e. those areas scoring a 2 in 2006).
- 7.9 We are also concentrating on areas that need strengthening and improvement and in order for the Council to further improve our overall Use of Resources score we will, as minimum, have to specifically improve the KLOE's that have scored a 2 to, at least, a 3.

8. Action Plan

- 8.1 This report attaches our action plan, as Appendix A, to achieve the above and, additionally, sets out our timeframe for completion of those actions.

9. Consultation

- 9.1 This is a corporate issue for the Council and there will be consultation with partners where it is necessary.

10. Summary and Conclusion

- 10.1 A satisfying score for 2006 was achieved and this has been recognised. It is now important to continue our improvement journey and to press on by improving our score yet again. The action plan attached to this report demonstrates how we propose to achieve that improvement.

11. Recommendation

11.1 To note the CPA Use of Resources Action Plan attached at Appendix A.

12. Legal Comments

12.1 There are no specific legal implications arising out of this report.

13. Equalities Implications

13.1 The improvements detailed will enhance the aspects of considering equalities included in the corporate processes.

APPENDIX A

Internal Control and Accounts Use of Resources Project Plan (2007 Assessment)

Key: GA; Gerald Almeroth, KB; IA; Ian Andrews, Kevin Bartle, ZB; Zena Brabazon, RG; Ruth Gibson, JH; John Hardy, GO; Graham Oliver, YS; Yuniea Semambo, MS; Martin Stringer, JS; John Suddaby, MW; Michael Wood, AW; Anne Woods.

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|------|---|--|-------|-----------------|----------------------|
| FR | 1.1 | The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers | <ul style="list-style-type: none"> - A clear closing plan is in place and being monitored. - The relevant accounting guidance has been received and targets are in place to ensure all new requirements are acted upon. - A committee date, in line with statutory deadlines, has been set to achieve this deadline. - Discussions have been held with the auditors in preparation of the closing timetable. - The timetable includes a scheduled sign off date | GO | June 2007 | Green |
| | | The council's accounts were prepared in accordance with statutory requirements, statutory/regulatory timetables, relevant accounting and reporting standards, and the council's agreed accounting policies. | | | | |
| | | The auditor received auditable accounts, including a complete set of financial statements, disclosures and notes, in accordance with the timetable agreed with the | | | | |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|--|------------|---|-------|-----------------|----------------------|
| | audited body. | | in line with statutory requirements. | | | |
| | The accounts submitted for audit were presented fairly, but contained several non-trivial errors. | | <ul style="list-style-type: none"> - Enhanced quality control mechanisms are built into the plan for 06/07 closing along with enhanced sign off arrangements. | GO | June 07 | Green |
| | Comprehensive working papers supporting the accounts were provided at the start of the audit to the standard specified by the auditor. | | <ul style="list-style-type: none"> - Enhanced quality control mechanisms are built into the plan for 06/07 closing along with enhanced sign off arrangements. - Early working papers have been passed to the Auditor for early consideration. - A three way checking mechanism for working papers is now in place and is being actioned to ensure a set of excellent working papers. | GO | June 07 | Green |
| | Guidance made available to staff on final accounts closedown procedures, | | <ul style="list-style-type: none"> - Guidance notes have been issued to all finance staff. | GO | March 07 | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|--|------------|--|-------|-----------------|----------------------|
| | including relevant timetables agreed with the auditor and allocation of tasks to individual members of staff, were adhered to. | | - The closing plan allocates individual tasks to specific individuals. | | | |
| | The council ensured that appropriate, knowledgeable and skilled staff were available to deal with external auditors' queries, to substantiate assertions, and to explain items of account. | | - Year end training sessions for finance staff have taken place. | GO | March 07 | Green |
| | The auditor gave an unqualified opinion | | - Enhanced quality control mechanisms are in place. | KB/GO | June 2007 | Green |
| | The accounts submitted for audit presented fairly and contained only a small number of non-trivial errors. | | - Enhanced quality control mechanisms are in place. - Areas of potential dispute are being discussed with the Auditors at the planning and completion stage in order to reach an agreed position prior to statements completions. | GO | June 2007 | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|---|------------|--|-------|-----------------|----------------------|
| ** | All additional requests from the auditor were responded to promptly in accordance with any agreed deadlines | | <ul style="list-style-type: none"> - A protocol is agreed in place with the Auditors and will be communicated to all appropriate officers. - All areas of the accounts will have a clearly identified officer and details of leave arrangements or other long absences will be clearly identified. | GO | June 2007 | Amber |
| | The accounts submitted to the council/committee meeting at which they were approved were accompanied by an explanatory paper providing interpretation of the accounts and highlighting key issues for the benefit of members. | | <ul style="list-style-type: none"> - A fully detailed accompanying report will go with the accounts to GP Committee, in line with previous year's report. | KB/GO | June 2007 | Green |
| | The accounts were subject to robust member scrutiny prior to approval at the formal approval. | | <ul style="list-style-type: none"> - Members will be briefed on the importance and position of the accounts to ensure they have the knowledge to provide robust scrutiny. In | KB/GO | June 2007 | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|---|------------|--|----------|-----------------|----------------------|
| FR | 1.2 The Council promotes external accountability | | | | | |
| ** | Summary financial information that meets the needs of a range of stakeholders is published and their views are considered in deciding whether to publish an annual report | | An online consultation was carried out to seek residents' views on the Annual Report. This closed on 14 May 2007. | GO/MG | June 2007 | Green |
| FM | 2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities | | | | | |
| ** | There are arrangements for monitoring cash flow | | Our new MTFs for 2007/08 to 2010/11 includes a 4 year cash flow in line with our new financial planning period. The Treasury team use Logotech to monitor cash flow on an ongoing basis. | KB/GO/JH | March 2007 | Green |
| ** | The medium-term financial | | The 2007/08 – 2009/10 | KB | March 2007 | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|--|---|------------|--|-------|--------------------------------|----------------------|
| | strategy is communicated to staff and stakeholders | | MTFS has been produced and communicated to staff and stakeholders. | | | |
| FM | | | | | | |
| 2.2 The Council manages performance against budgets | | | | | | |
| | Budgets are input to the main accounting system on a timely basis, at an appropriate level of detail. | | In 2006/07 and 2007/08 all capital and revenue budgets were loaded onto SAP on a timely basis at an appropriate level of detail for monitoring purposes. Budgets for 2007/08 have been reshaped. | JH | March 2007 | Green |
| | There is a formal scheme of budget delegation | | - The current Scheme of Budget delegation was completed in December 2006 as planned as part of last year's UOR Action Plan. It is planned to review and update (as necessary) the text of the document and in addition, to update on a regular basis, the appendices that show the | JH | December 2007 Quarterly | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|---|------------|--|-------|-----------------|----------------------|
| | There is guidance available to budget holders which includes a description of their responsibilities, an outline of the budget process and a budget process timetable | | list of budget holders and financial delegations. We issue guidance to budget holders as part of each budget process. This was issued on a timely basis for 2007/08 budget preparation and we plan to review and, if appropriate, to further improve the document for the 2008/09 budget process. | JH | November 2007 | Green |
| | Budgets are approved before the start of the year and monitored regularly throughout the year. | | 2007/08 budgets were approved appropriately in February 2006. 2007/08 budgets have been approved for capital (Council 5 February 2007) and revenue (Council 19 February 2007) as part of our financial planning process. | JH | | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|---|------------|---|-------|-----------------|----------------------|
| | Action plans are developed when a material variance arises or a deficit is forecast. | | This is picked up during the monthly budget management meetings with the Chief Executive and Acting Director of Finance. Action plans are requested and output monitored at these meetings. | KB | On-going | Green |
| | The appropriate member committee receives budget monitoring information that is accurate, relevant, understandable and consistent with underlying records, and data is as up to date as possible when reported. | | All financial monitoring reports are cleared and directed appropriately to committees by the Acting Director of Finance to ensure the qualities listed in the KLOE. | GA | On-going | Green |
| | Relevant non-financial and financial information, in addition to the budget, is reported to and used by senior officers. | | As part of our robust and integrated budget and performance monitoring arrangements, a balanced scorecard is monitored each month and reported to Executive. | JH | On-going | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|--|------------|--|-------|--|----------------------|
| | There is a line of professional accountability between those with principal functional responsibility for finance within business groups and the chief finance officer, to ensure compliance with professional standards and objectivity of advice on financial matters. | | All service based Heads of Finance report directly to the Head of Corporate Finance through to the Director of Finance, and are Corporate Finance staff. | KB | In place | Green |
| | The budget shows the resources allocated to major spending activities and programmes, with user-friendly summaries, and separate identification of revenue and capital items to ensure focus on use of resources | | Our published Budget Book for 2006/07 includes this information. We are in the process of preparing our further improved 2007/08 reshaped Budget Book and this will also include this information. | JH | May 2007 | Green |
| | The council regularly tests its financial systems to ensure that their processes are secure. | | Currently, in addition to the regular internal and external audits of SAP, we monitor all interfaces into other Council systems (Radius, I-World and OHMS) on a daily basis to ensure that all | IA | This has been ongoing throughout 2006/07 and continues to be so. | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|--|------------|--|-------|-----------------|----------------------|
| | | | financial transactions are moved both inbound and outbound to SAP/Radius. We liaise with the business owners of those systems when issues occur. The management of those business systems is directly the responsibility of the business themselves and these systems are regularly audited. In addition a monthly control day validates all financial figures thus being a further check on the validity of the financial output. | | | |
| | Where any significant departmental overspends have occurred they have been managed with no adverse impact on service delivery. | | Monitored through budget monitoring meetings. | GA | On-going | Green |
| | The council's financial information systems have | | Business Warehouse is being developed to report | IA | | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|---|------------|---|-------------|-----------------------------|----------------------|
| | flexible reporting tools to enable specialist reports to be designed | | on all Procurement data. In addition, SAP has many standard and bespoke reports that have been created for use of all staff to report on all financial data in whatever format is required. | | BiW Sept 2006 March 2007 | |
| | Relevant non-financial and financial information, in addition to the budget, is reported to members and acted upon | | As part of our robust and integrated budget and performance monitoring arrangements, a balanced scorecard is monitored each month and reported to Executive. | MG/JH | On-going | Green |
| | The council uses agreed processes to adjust and approve budgets in year if major programmes are varied by more than pre-set tolerances. | | Virement rules are part of the Council's financial regulations and Schemes of Delegation. Both have already been updated but further work is underway to refine them further. | KB | November 2007 | Green |
| | The council's budget monitoring is: • predictive rather than | | - A robust budget monitoring process is in place which includes | KB/JH/ HoFs | On-going | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|--|------------|---|-----------------------|--|----------------------|
| | backward looking <ul style="list-style-type: none"> focused on large, high risk or volatile budgets related to operational activity indicators that are lead indicators of spend and informed by a risk assessment. | | monthly meetings (of the Acting Director of Finance, Chief Executive, Directors and Heads of Finance) and also performance reports each month to CEMB and Executive. - Comprehensive papers are produced by Heads of Finance in conjunction with Directors and Budget Holders that includes the mentioned items. | | | |
| | Progress in achieving planned savings and efficiency gains is regularly reported to senior management with developed action plans | | This information is reported and discussed by Senior Officers each month as part of our robust budget monitoring process. For 2007/08 we will monitor the RAG status. | Heads of Service / JH | On-going | Green |
| | No significant departmental overspends / underspends have occurred that were not identified as a risk which was | | As outlined in the Council's Financial Outturn report. | GA | To be considered by Cabinet on 19 th June 2007. | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|--|------------|--|-------------------------------|-----------------|----------------------|
| | taken into account in developing the council's reserves strategy, and the associated underlying budgetary pressures are being managed effectively over time. | | | | | |
| ** | Profiled financial monitoring reports are produced within ten days of the month-end | | <ul style="list-style-type: none"> - Appropriate monitoring reports are produced from SAP. They are available for production within one working day of the end of each month. | IA/JH | On-going | Green |
| ** | The financial performance of significant partnerships is reviewed | | <ul style="list-style-type: none"> - These are reviewed as part of our robust monthly budget monitoring arrangements. A Sub Group of CFMT plan to review and further improve this element of monitoring if necessary. - Included in the scope of review of Partnership Governance arrangements currently being reviewed by key | AW/Heads of Finance YS | April 2007 | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|------|------------|--|-------|------------------------|----------------------|
| | | | Decision Making). Additionally a Members' Property Strategy Group has been created which enables lead Members to focus on key management issues. | RG | June 2006 & April 2007 | Green |
| | | | There are longstanding performance indicators covering a range of property management activities and, along side development of the Manhattan database, these are being overhauled, revised and extended to provide a new property performance management framework (eg. incorporating COPROP indicators and any further indicators specifically required by services. | RG | Sept 2007 | Green |
| | | | The implementation of a | | | |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|--|---|------------|--|-------|--|----------------------|
| | | | centralised system for handling repair and maintenance in the Council's main operational portfolio (90 buildings) now enables collection, analysis and coordination of performance information in relation to repair and maintenance (eg pattern of repairs needed by work and building affected, response times and performance of contractors). Information is shared with client departments. | | | |
| FS | | | | | | |
| 3.1 The Council manages its spending within the available resources | | | | | | |
| ** | Collection and recovery of material categories of income is monitored | | Collection targets are set annually for all areas of income. Progress against these targets are reported in the Councils' corporate Scorecard and reviewed at a high level | MS | Status against targets set are reviewed on an ongoing basis throughout 2007/8. | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|------|------------|--|-------|-----------------|----------------------|
| | | | <p>within Budget management and a more detailed level at Debt Management Board and in BU Debt Management Days.</p> <p>For SAP debtors, and Commercial Property, targets for 2007/8 have discussed at Directorate Debt Management days and have been agreed and put in place. The targets set focus on Aged Debt reduction which looks to reduce existing levels and stop new debt rolling forward.</p> <p>A Debt Management Day has been established for Parking where; previously agreed targets for 2007/8 have been reviewed, the need for improved reporting has been discussed and agreed.</p> <p>Targets for Council Tax,</p> | | | |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-----------|---|------------|---|-------|-----------------|----------------------|
| | | | <p>NDR and Housing Benefit recovery have been agreed and are in place. A review of all targets for Housing rent and temp accommodation are planned for the start of Q2.</p> | | | |
| IC | 4.1 The Council manages its significant business risks | | | | | |
| | <p>The council has adopted a risk management strategy/policy that has been approved by members.</p> | | <p>Update RM strategy to reflect progress during 2006. Report on progress done to Audit Cttee (April 07). Plan to report to CEMB on 29 May 2007 on risk management issues (jointly with Andrew Meek). Updated Corporate Risk Register presented and approved. Revised RM policy</p> | AW | April 2007 | |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|--|------------|--|-------|-----------------|----------------------|
| | | | approved by CEMB and Audit Cttee. in October 2005. Implementation plan and update on progress provided to CEMB and Audit Cttee in February and October 2006 and April 2007. Report and Corporate Risk Register will be presented to Audit Cttee 26 June 07. | | | |
| | <p>The risk management strategy/policy requires the council to:</p> <ul style="list-style-type: none"> • identify corporate and operational risks • assess the risks for likelihood and impact • identify mitigating controls • allocate responsibility for the mitigating controls. | | <p>Report revised corporate risk register and progress on RM implementation plan to CEMB (May 2007) and Audit Cttee. (26 June 2007). RM implementation delivered including reviews, risk identification and monitoring. Departmental contact officers provide the liaison point to update and agree risk registers. All risk registers updated</p> | AW | April 2007 | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|--|------------|---|---------|-----------------|----------------------|
| | | | and risk management database populated. | | | |
| | The council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk | | Risk management database is effectively used. Corporate risk register updated. | AW | April 2007 | |
| | Member responsibility for corporate risk management is identified in the terms of reference of one or more committees as appropriate | | Contained in ToR for Audit Committee. ToR revised and updated March 2007 (approved for inclusion in Constitution April 2007) to take account of CIPFA guidance. | AW/JSYS | March 2007 | Green |
| | Reports to support strategic policy decisions, and project initiation documents, include a risk assessment. | | New project management arrangements require risk assessment to be completed in PIDs and risk issues considered as part of ongoing monitoring and reporting arrangements. Stream Board reports include RAG status for risk | AW | | |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-------|---|------------|---|-------------|-----------------|----------------------|
| | The risk management process is reviewed and updated at least annually | | issues. Update RM strategy to reflect progress during 2006. Need to report to CEMB (May 2007). Update reports provided to CEMB (March 06) and Audit Cttee. (October 06 and April 2007). | AW | April 2007 | Amber |
| | The risk management process specifically considers risks in relation to significant partnerships and provides assurances to be obtained about the management of those risks | | Officer group reviewing partnership arrangements. Revised corporate risk register includes risks re: partnerships. Partnership register finalised. Review of partnerships completed in January 2007. Partnerships included in risk management guidance notes. | AWYYS/JS/ZB | April 2007 | |
| ** | All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their | | Ongoing risk management workshops and assistance provided for all departmental management teams | AW | March 2007 | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-----------|---|------------|--|-------|--|----------------------|
| | own working environment | | during 2006/07. Key projects e.g. new Bank tender, Supporting People have risk registers. | | | |
| | The members with specific responsibility for risk management have received risk management awareness training | | Member training – risk management needs to be taken account of in 2007/08 MLD which is currently being drafted, will be consulted on. To be agreed by MLDWG in April 2007. Audit Cttee training planned for July 2007. | AW/Y5 | 2007/08 MLD Programme agreed April 2007. Relevant activities to take place during 2007/08. | Amber |
| | Members with responsibility for risk management receives reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council as appropriate. | | Continue with 6 monthly reports (reported April 07) and highlight section in quarterly reports. Ensure annual audit report is presented to Audit Cttee and Full Council (June 2007). | AW | April 2007 | Green |
| IC | | | | | | |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|---|---|------------|--|-----------------|------------------|----------------------|
| 4.2 The Council has arrangements in place to maintain a sound system of internal control | | | | | | |
| ** | Criterion in relation to effective arrangements for internal financial control, for example, carrying out regular bank reconciliations and reconciliations of major systems | | <ul style="list-style-type: none"> - Internal Audit programme checks compliance with procedures. - An established control framework is in place and monitored on a monthly basis which covers on holding accounts, bank recs and feeder systems. | AW | March 2007 | Green |
| ** | Arrangements for carrying out the functions of an audit committee are effective | | <ul style="list-style-type: none"> Report on compliance with CIPFA guidelines to Audit Cttee (Oct 06). Haringey can demonstrate compliance with guidelines. Planned review of the effectiveness of the Cttee to be completed. | AW | March 2007 | Green |
| ** | Standing orders, standing financial instruction and system procedure notes are reviewed and updated as appropriate | | <ul style="list-style-type: none"> - CSO's revised and approved at February 2007 Full Council Meeting and published on Harinet. - Ensure financial system flow charts are kept up to | MW/JS/ KB/JH | July/August 2007 | Green |
| | | | | AW | March 2007 | Green |

| Theme | KLOE | KLOE level | Key Activities | Owner | Completion Date | Traffic Light Status |
|-----------|--|------------|---|-------------|-----------------|----------------------|
| ** | Criterion at level 2 in relation to business continuity plans as required by the Civil Contingencies Act 2004. | | date. System and procedure notes are tested on an annual basis as part of the audit programme. | A Meek | | |
| ** | Governance arrangements are in place for significant partnerships | | Governance arrangements are currently being reviewed by key officers. Ensure recommendations by Audit Cttee and Internal Audit are addressed with progress report to Audit Cttee. | AW/ZB/JS/YS | April 2007 | Amber |
| IC | 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business | | | | | |
| | The Council is proactive in raising standards of ethical conduct among members and staff and can show that counter fraud and corruption work is adequately resourced | | | YS | | Green |

| Key lines of enquiry (KLOEs) | Score 2006 | Score 2005 |
|---|-------------------|-------------------|
| Financial reporting | 3 | 3 |
| 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers. | 2 | |
| 1.2 The Council promotes external accountability. | 4 | |
| Financial Management | 3 | 3 |
| 2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. | 3 | |
| 2.2 The Council manages performance against budgets. | 2 | |
| 2.3 The Council manages its asset base. | 3 | |
| Financial Standing | 3 | 3 |
| 3.1 The Council manages its spending within the available resources. | 3 | |
| Internal Control | 3 | 2 |
| 4.1 The Council manages its significant business risks. | 2 | |
| 4.2 The Council has arrangements in place to maintain a sound system of internal control. | 3 | |
| 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business. | 3 | |
| Value for money | 3 | 2 |
| 5.1 The Council currently achieves good value for money. | 3 | |
| 5.2 The Council manages and improves value for money. | 2 | |