

**MINUTES OF THE AUDIT COMMITTEE  
TUESDAY, 24 JUNE 2008**

**PRESENT**

Councillors Rahman Khan (Chair), Mallett (Vice-Chair), Bull, Diakides, Mughal and Wilson

Apologies Councillor Davies, Councillor Gorrie

<b>MINUTE NO.</b>	<b>SUBJECT/DECISION</b>	<b>ACTION BY</b>
<b>PRAC19.</b>	<b>APOLOGIES FOR ABSENCE</b>  Apologies for absence were received from Councillor Davies and Councillor Gorrie, for whom Councillor Wilson was substituting.  <b>NOTED</b>	
<b>PRAC20.</b>	<b>URGENT BUSINESS</b>  There were no items of urgent business.  <b>NOTED</b>	
<b>PRAC21.</b>	<b>DECLARATIONS OF INTEREST</b>  Councillor Rahman Khan declared an interest as Chair of the Pensions Committee, which was referred to in the report on the External Audit and Inspection Plan 2008/09.	
<b>PRAC22.</b>	<b>MINUTES</b>  <b>RESOLVED</b>  That the minutes of the meeting of the Audit Committee held on 12 May 2008 be agreed and signed by the Chair as an accurate record of the proceedings.	
<b>PRAC23.</b>	<b>DEPUTATIONS AND PETITIONS</b>  There were no deputations or petitions.	
<b>PRAC24.</b>	<b>EXTERNAL AUDIT AND INSPECTION PLAN 2008/09 - FROM GRANT THORNTON</b>  The representative from Grant Thornton introduced the external audit and inspection plan 2008/09, which was a document produced jointly by Grant Thornton and the Audit Commission. As the Comprehensive Area Assessment (CAA) replaced the Comprehensive Performance Assessment (CPA) from 1 April 2008, it was reported that the role of Relationship Manager would be replaced by a Comprehensive Area Assessment Lead, who would supervise all inspection activity relating to	

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the Council. It was also reported that a separate audit plan would be issued for the Council's Pension Fund, as instructed by the Audit Commission. The external audit and inspection plan also outlined the new framework for the Use of Resources audit, Financial Statements audit, grant claims and returns, inspection activity for 2008/09 and estimated audit and inspection fee.

In response to a request from Councillor Wilson for further details about the separate audit plan for the Pension Fund, Grant Thornton reported that the Pension Fund had always been audited, but that this work would now be presented separately in line with new practice. It was reported that this work would now be charged directly to the Pension Fund, but that further details regarding the process were awaited from the Audit Commission. Councillor Wilson welcomed the fact that the operational and financial issues relating to Alexandra Park and Palace were identified as a key risk in the Use of Resources audit and hoped that further progress on these issues would be made.

In response to a request for clarification of the bullet point relating to the production of annual accounts on page 32, Grant Thornton reported that if the Council were to achieve a level 4 in relation to the Key Line of Enquiry 1.1 for the production of annual accounts then there may be scope for a reduction in the audit fee.

Councillor Diakides asked for an explanation of the process for suggesting additional areas of activity to be included in the plan. It was reported that any suggestions should be raised with Internal Audit, who would carry out a risk assessment. Areas identified as high risk would then be included on the external audit and inspection plan going forward. Any change to the suggested external audit and inspection plan for the next year, 2008/09, would be reported to the Committee at the meeting in January 2009.

The Chair welcomed the introduction of a separate audit plan for the Pension Fund, and also noted that the facilities management services for the Schools PFI scheme and the operational and financial issues relating to the management of Alexandra Park and Palace were areas which required resolution and had been highlighted in the Audit Commission's Audit and Inspection Letter. The Audit Committee had accordingly highlighted the need for effective resolution of these issues at its last meeting, as recorded in the minutes.

The Chair further raised the issue of potential understatement of the existing population, as stated on page 22 of the report, and sought the external auditor's assistance on the issue. The Chair welcomed the move from the CPA to the CAA, but added that the external auditor's assistance would be needed in order to maximise the Council's rating in the new system while at the same time ensuring that the interests of all stakeholders were safeguarded.

In reply to a query from the Chair, the Chief Financial Officer confirmed that he was satisfied with the external audit and inspection plan 2008/09

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	<p>as presented. On a motion by the Chair it was:</p> <p><b>RESOLVED</b></p> <p>That the content of the external audit and inspection plan 2008/09 be noted, along with the comments and concerns recorded above.</p>	
<p><b>PRAC25.</b></p>	<p><b>HEALTH INEQUALITIES - REPORT TO AUDIT COMMITTEE</b></p> <p>The representative from Grant Thornton presented a summary of the findings in respect of the work undertaken on health inequalities in Haringey. The findings had also been reported to key Council staff, the PCT and the Well Being Partnership Board. An action plan would be formulated by the partners.</p> <p>It was reported that the overall findings were positive, and that Haringey was advanced in its health inequalities agenda. Specific points relating to the Key Lines of Enquiry numbers 1–6 were outlined in the summary document.</p> <p>In response to a question from the Committee about why this report was being presented to the Audit Committee, the Chief Financial Officer, Gerald Almeroth, reported that the Committee was required to see the report in its capacity of overseeing the work of the auditors. It was noted that it was not within the remit of the Committee to carry out the recommendations of the report, although any relevant comments by the Committee could be forwarded to the Well Being Partnership Board for consideration. The Committee could also request to see the action plan to see that there was a robust management response in place.</p> <p>Councillor Bull expressed concern that the health inequalities agenda in Haringey was considered to be well advanced, as much further progress was required in this field. Grant Thornton reported that the assessment was based on the systems that were in place for delivery, rather than the extent of progress made to date and that the findings would be updated as further progress was made.</p> <p>In relation to KLOE 2 on partnership working, Councillor Diakides expressed concern at the lack of opportunity for areas of activity to be challenged or concerns raised between partners. It was noted that as part of the Comprehensive Area Assessment, the Audit Commission would consider this as part of its analysis of the effectiveness of the partnerships. The Committee also noted that wider engagement was required in relation to KLOE 4, Securing Engagement from the Workforce, and it was hoped that this would form part of the Well Being Partnership Board's response to the findings of the review.</p> <p>The Committee expressed concern at the lack of capacity in this area, particularly in relation to corporate responsibility.</p> <p><b>RESOLVED</b></p>	

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	<p>That the action plan be reported back to the Audit Committee by the relevant management groups of the Council and PCT.</p>	
<p><b>PRAC26.</b></p>	<p><b>ANNUAL AUDIT REPORT AND ASSURANCE STATEMENT 2007/08</b></p> <p>The Head of Audit and Risk Management, Anne Woods, introduced the annual audit report and assurance statement 2007/08, and reported that the overall audit opinion 2007/08 was that the system of internal control in operation during the year to 31 March 2008 accorded with proper practice and was fundamentally sound. The report outlined the basis on which this overall assurance was given, as well as providing details of the assurances on corporate governance and on risk management, assurance from external inspections and assurance on the effectiveness of internal audit.</p> <p>The Chair asked if there were any questions from the Committee.</p> <p>Councillor Diakides asked about the local performance measures, and whether the statistics should be of concern to the Committee. Ms Woods reported that, for the performance indicator for audits completed against the planned programme, the figure for actual performance given in the report related to final reports completed, whereas the target related to draft reports completed. The percentage of draft reports completed against the planned programme in fact exceeded the target. The Chief Financial Officer, Mr Almeroth, confirmed that he was satisfied that performance against targets was positive and should not cause the Committee concern. Mr Almeroth reported that areas of highest risk for the Council had been identified and were included in the external audit and inspection plan, and that risk management systems were in place to enable a swift and effective response to any issues arising.</p> <p>While making comments on the report, the Chair highlighted to the meeting that in order to effectively deal with this report he had, as a matter of priority, corresponded with the Head of Audit and Risk Management and the Chief Financial Officer in advance of the meeting to ask how the assurance statement could be accepted by the Committee as independent assurance as required under the Committee's terms of reference. This was because the assurance statement was largely dependent on internal audit works, the Statement of Responsibility for which stated "works performed by internal audit should not be relied upon to identify all strengths and weakness in internal control" and "the performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices". The Chair reported that in reply he had received written confirmation from the Chief Financial Officer and from the Head of Internal Audit that the assessment of financial administration and control was not based solely on the findings of Internal Audit, and copies of the emails containing this confirmation</p>	

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	<p>were produced at the meeting with direction that it would be supplied to all Committee members. On this basis, the Chair confirmed that he was satisfied in principle with the assurance provided.</p> <p>On a motion by the Chair it was:</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"><li>i) That the content of the annual audit report and assurance statement for 2007/08 be noted.</li><li>ii) That the annual audit report and assurance statement be referred to the next available Full Council meeting for information.</li></ul>	
<p><b>PRAC27.</b></p>	<p><b>INTERNAL AUDIT SERVICE - TERMS OF REFERENCE</b></p> <p>The Head of Audit and Risk Management, Anne Woods, presented the revised Terms of Reference for Haringey's Internal Audit service, which had been updated in order to reflect that the Statement of Internal Control had been replaced by the Annual Governance Statement. Ms Woods confirmed that the Terms of Reference were compliant with the CIPFA code of practice, and that in line with good practice the Terms of Reference would be reviewed and presented on a regular basis to ensure that they continued to be appropriate.</p> <p>On a motion by the Chair it was:</p> <p><b>RESOLVED</b></p> <p>That the revised Terms of Reference for the Internal Audit Service be approved, as officers confirmed that internal audit work was based on the CIPFA's 2006 code of practice.</p>	
<p><b>PRAC28.</b></p>	<p><b>AUDIT COMMITTEE - ANNUAL WORK PLAN</b></p> <p>The Head of Audit and Risk Management, Anne Woods, presented the proposed annual work plan for the Audit Committee, which had been one of the recommendations from the review of the effectiveness of the Audit Committee. The work plan was as comprehensive as possible, but did not preclude the inclusion of elements of work that came up at short notice. Details of the internal audit programme of work for the year were covered in the annual internal audit plan and audit strategy 2008/09, presented at the previous meeting of the Committee.</p>	

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	<p>On a motion by the Chair it was:</p> <p><b>RESOLVED</b></p> <p>That the annual work plan for 2008/09 be approved.</p>	
<p><b>PRAC29.</b></p>	<p><b>INTERNAL AUDIT PROGRESS REPORT - PROPOSED FORMAT FOR 2008/09</b></p> <p>The Head of Audit and Risk Management, Anne Woods, presented a proposed revised reporting format for the quarterly internal audit progress reports. The revised format responded to feedback received during the review of the effectiveness of the Audit Committee, as members had requested information on a monthly basis, with a higher-level quarterly summary being presented at the formal Committee meetings. Where limited assurance was given, more detailed summaries would be presented to the Committee as part of the quarterly report. Members were invited to contact the Chair if they wished to ask Directors to attend a meeting of the Committee to respond to questions.</p> <p>The Chair referred to the Statement of Responsibility appended to the report and the need to ensure that reports were compliant with all relevant regulations, and requested that he be provided with all final internal audit reports in full. The Chair also requested that the revised reporting format give details of all recommendations made, not just Priority 1 recommendations, in order to provide Committee members with more complete information.</p> <p>The Chair moved and it was:</p> <p><b>RESOLVED</b></p> <p>That, taking into account the comments made above, the proposed reporting format and processes be approved and adopted from July 2008 and for the 2008/09 cycle of meeting.</p> <p>It was additionally requested that the Chief Financial Officer and External Auditors examine whether the wording of the Statement of Responsibility by Deloitte and Touche, as appended to the report, complied with the requirements of the appropriate CIPFA Code, and report this to the Committee at the earliest opportunity.</p>	
<p><b>PRAC30.</b></p>	<p><b>NEW ITEMS OF URGENT BUSINESS</b></p> <p>There were no new items of urgent business.</p> <p><b>NOTED</b></p>	
<p><b>PRAC31.</b></p>	<p><b>DATE OF NEXT MEETING</b></p> <p>The next scheduled meeting of the Audit Committee would take place on Tuesday 22 July at 19:30 hrs at the Civic Centre, Wood Green, London</p>	

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COUNCILLOR GMMH RAHMAN KHAN

Chair