
Audit Committee

TUESDAY, 24TH JUNE, 2008 at 19:30 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, LONDON N22 8LE.

MEMBERS: Councillors Rahman Khan (Chair), Mallett (Vice-Chair), Bloch, Bull, Davies, Diakides, Gorrie and Mughal

AGENDA

1. APOLOGIES FOR ABSENCE

To note any apologies for absence.

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 12 below).

3. DECLARATIONS OF INTEREST

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 **and** if this interest affects their financial position or the financial position of a person or body as described in paragraph 8 of the Code of Conduct **and/or** if it relates to the determining of any approval, consent, license, permission or registration in relation to them or any person or body described in paragraph 8 of the Code of Conduct.

4. MINUTES (PAGES 1 - 16)

To confirm and sign the minutes of the Audit Committee held on 12 May 2008.

5. DEPUTATIONS AND PETITIONS

6. EXTERNAL AUDIT AND INSPECTION PLAN 2008/09 - FROM GRANT THORNTON (PAGES 17 - 42)

7. HEALTH INEQUALITIES - REPORT TO AUDIT COMMITTEE (PAGES 43 - 48)

Report of Grant Thornton.

8. ANNUAL AUDIT REPORT AND ASSURANCE STATEMENT 2007/08 (PAGES 49 - 58)

Report of the Head of Audit and Risk Management to inform Members of the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2007/08 and present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other bodies. This report fulfils the requirements of the Audit Committee terms of reference.

9. INTERNAL AUDIT SERVICE - TERMS OF REFERENCE (PAGES 59 - 66)

Report of the Head of Audit and Risk Management to inform Members of the revised Terms of Reference for the Internal Audit Service.

10. AUDIT COMMITTEE - ANNUAL WORK PLAN (PAGES 67 - 70)

Report of the Head of Audit and Risk Management to inform Members of the Committee's proposed annual work plan for the 2008/09 municipal year.

11. INTERNAL AUDIT PROGRESS REPORT - PROPOSED FORMAT FOR 2008/09 (PAGES 71 - 84)

Report of the Head of Audit and Risk Management to propose a revised reporting format for the quarterly internal audit progress reports.

12. NEW ITEMS OF URGENT BUSINESS

To consider any new items of urgent business admitted at item 2 above.

13. DATE OF NEXT MEETING

Tuesday 22 July 2008, 19:30 hours.

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MINUTES OF THE AUDIT COMMITTEE
MONDAY, 12 MAY 2008

PRESENT

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

Apologies Councillor Whyte

MINUTE NO.	SUBJECT/DECISION	ACTION BY
<p>PRAC01.</p>	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Councillor Whyte and for lateness from Councillor Vanier and Councillor Wilson.</p> <p>NOTED</p>	
<p>PRAC02.</p>	<p>URGENT BUSINESS</p> <p>There were no items of urgent business.</p> <p>NOTED</p>	
<p>PRAC03.</p>	<p>DECLARATIONS OF INTEREST</p> <p>There were no declarations of interest.</p>	
<p>PRAC04.</p>	<p>MINUTES</p> <p>RESOLVED</p> <p>That the minutes of the meeting of the Audit Committee held on 28 January 2008 be agreed and signed by the Chair as an accurate record of the proceedings.</p>	
<p>PRAC05.</p>	<p>DEPUTATIONS AND PETITIONS</p> <p>There were no deputations or petitions.</p>	
<p>PRAC06.</p>	<p>COMPREHENSIVE PERFORMANCE ASSESSMENT - USE OF RESOURCES 2007/08</p> <p>The Use of Resources Auditor Judgements report was introduced by the Audit Manager from the Audit Commission – Ms Sheila Hill. It was noted that this was the third Use of Resources assessment undertaken by the Audit Commission at the London Borough of Haringey. The Council had received an overall score of 3 out of a possible 4, and had been notified of the results of the assessment on 10 December 2007. Scores had been maintained in four out of the five themes of the assessment since</p>	

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the previous year. It was highlighted that the score for the key line of enquiry 5.2, 'The Council manages and improves value for money', had improved from 2 to 3 since the previous year and that the Pre Business Plan Review process was felt to be robust. The Committee was invited to note that the overall score for the theme of Financial reporting had dropped from a 3 to a 2, largely because the Council had not maintained the 'notable practice' status achieved in the previous year through the Annual Report consultation process. The Council had developed an action plan to address some of the areas for improvement identified in the report, and work would continue with the new Auditors, Grant Thornton to make further progress.

The Chair thanked Ms Hill for her introduction, and asked if there were any questions from the Committee. Cllr Gorrie asked for clarification as to the precise period covered by the report. In response Ms Hill advised that the period covered by the report was the financial year 1 April 2006 to 31 March 2007, although the publishing convention of the Audit Commission meant that the front cover was dated 'Audit 2007-2008' as the report was part of the audit fee for 2007-2008. It was noted that amendments made subsequent to the 31 March 2007 could be taken into account as part of this report, subject to an assessment by the Audit Commission of whether they were sufficiently embedded.

Cllr Gorrie asked for clarification as to what Appendix 1 of the report represented. Ms Hill reported that this document showed the revisions to the key lines of enquiry, against which the Council would be assessed this year. It was intended that this would assist officers in determining whether arrangements were in place for satisfying the key lines of enquiry where changes had been made. It was noted that it was not necessary to define criteria for a score of 1, as this would automatically be scored if the criteria for attaining a 2 were not satisfied.

Cllr Gorrie noted that the issue of underspend against the capital budget at year end was raised as an issue in the report, under the key findings for the theme Financial Standing, and reported that this had been further emphasised in the performance for the financial year 2007-2008, as underspend towards the year end had been even greater. Cllr Gorrie challenged the report's assessment that the Council had been successful in planning for and achieving efficiency savings in light of the results for the financial year 2007-2008, where savings targets had not been attained and the Achieving Excellence programme had fallen behind schedule.

The Chair expressed the Committee's disappointment at the score of 2 for Financial Reporting and called attention to the revisions to the key lines of enquiry to ensure that these were acted on. There being no further comments it was:

RESOLVED

- i. That the contents of the report be noted, together with the comments made by the Committee.

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	<p>ii. That it be noted that the report covered the period from 1 April 2006 to 31 March 2007.</p>	
<p>PRAC07.</p>	<p>COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA): USE OF RESOURCES - AUDITOR JUDGEMENTS 2007 ACTION PLAN REPORT</p> <p>The Head of Corporate Finance, Kevin Bartle, introduced the Use of Resources – Auditor Judgements 2007 action plan. This report demonstrated the Council’s response to the Audit Commission’s report and recommendations. It was reported that an officer working party was in place to review opportunities for improvement. A full action plan to address key lines of enquiry had been produced, and an extract of this, highlighting specific areas for improvement, was appended to the report.</p> <p>The Head of Finance (Accounting and Control), Mr Oliver, informed the Committee that measures were in place to improve on the areas identified in the Audit Commission report. Weekly planning meetings were taking place and officers were liaising closely with the external auditors, Grant Thornton, to ensure that, where necessary, areas were subject to early discussion. It was anticipated that this relationship with the external auditor would continue to develop. In relation to the key line of enquiry ref 1.2 ‘the Council promotes external accountability’, it was reported that consultation with Haringey Strategic partnership had been renewed, and that a questionnaire had been sent out to the Council’s partners to obtain feedback on the Annual Report and Accounts and to seek views on what else could be included. A project group had been established to look at issues such as the layout of the Annual Report and Accounts, and it was hoped that ‘notable practice’ status could be re-attained in the next assessment.</p> <p>The Chair asked the Chief Financial Officer, Mr Almeroth, what it would take for the Council to achieve an overall score of 4 in the Use of Resources assessment. Mr Almeroth reported that robust processes were in place and resources were being focussed on attaining a score of 4, although this could not be guaranteed. The revisions to the key lines of enquiry demonstrated that the criteria against which the Council was assessed became tougher each year. The Chair noted that although the test was becoming harder, he was confident that the experience of officers and application of resources would enable a 4 to be achieved.</p> <p>There being no further comments from the Committee it was:</p> <p>RESOLVED</p> <p>That that CPA Use of Resources Auditor Judgements 2007 and the Council’s action plan in response be noted, together with the comments put forward by the Committee and the Chief Financial Officer’s response.</p>	

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The Chief Financial Officer, Gerald Almeroth, introduced this report on the Council's response to the Audit Commission's annual Audit and Inspection letter. The annual Audit and Inspection letter was appended to the report. The key areas for action were set out in the report in the form of a table, along with the Council's response and proposed actions. It was noted that the Council had been assessed at 3 star overall, with the direction of travel assessed as improving well. The report had been considered by the Cabinet on 22 April 2008.

Cllr Gorrie queried why 'ensuring that costs are commensurate with performance levels' had been identified as a specific improvement opportunity in the letter, when this seemed to be such a fundamental requirement that it did not need stating and was too vague to be practically useful as a recommendation. Cllr Gorrie felt that from this statement one could only conclude that the Audit Commission was indicating that costs were too high in relation to performance levels. Ms Hill responded that the annual Audit and Inspection Letter provided a summary of all the audit work carried out throughout the year. She reported that the statement in question was intended as a reminder that it was important to continue to focus on reducing costs and keeping expenditure under review, and that it contained no implication that costs were presently too high. Cllr Gorrie felt that the statement was not specific enough to be of use to the Council, as no particular course of action was suggested. Mr Almeroth reported that the wording of the improvement opportunities in the Audit and Inspection letter flowed from the Use of Resources report, in which the Council had scored 3 out of 4 under the Value for Money theme. In comparison with other local authorities and in terms of performance levels the Council was achieving value for money, but it was important to maintain an effective focus on value for money issues across the organisation. Cllr Gorrie stated that he remained unconvinced as to the usefulness of including the statement in the Audit and Inspection Letter, but had no further comments.

The Chair referred Mr Almeroth to the two areas of potential risk being monitored as part of Grant Thornton's audit and stated that the Audit Committee required a satisfactory resolution to these items; these were the operational conflict between the delivery of the Building Schools for the Future (BSF) programme and the existing schools PFI scheme and the operational and financial issues in respect of the management of Alexandra Park and Palace.

There being no further comments it was:

RESOLVED

- i. That the letter be noted and that the response and actions as set out in the report be agreed.
- ii. That the Council needs to resolve the potential risks relating to

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	<p>the operational conflict between the BSF programme and the existing schools PFI scheme and the management issues relating to Alexandra Palace & Park as identified by the External Auditors and in accordance with the advice and recommendations of the External Auditors, to safeguard the overall interests of tax-payers, as well as the Council.</p>	
<p>PRAC09.</p>	<p>AUDIT COMMITTEE UPDATE FROM GRANT THORNTON</p> <p>The representative from Grant Thornton introduced the update, which covered audit work carried out to date and current areas of work as follows:</p> <ul style="list-style-type: none"> • It was reported that a high level review of corporate governance arrangements was being carried out, which would feed into the Use of Resources work. A report on this review would be presented at the next meeting of the Audit Committee. • Interim audit work to review key systems and ensure that they were operating as anticipated was in progress, and Grant Thornton was also working with the Council's Internal Audit team to check the controls that were in place and to avoid unnecessary duplication of work. • Technical specialists at Grant Thornton were reviewing the 2006/07 accounts and would develop recommendations for future accounts. A presentation had been given to Finance staff, giving details about how the audit process works, key auditing issues and the requirements of the auditors. Feedback from this session had been positive. • A joint study on health inequalities was being undertaken in partnership with Haringey PCT auditors; the findings were currently in draft form, and a final report would be presented to the Audit Committee in June 2008. • Work on the Pension Fund audit, PFI developments and Alexandra Park and Palace was ongoing, and the audit planning process for 2008/09 had been commenced. <p>The Chair asked if there were any questions from the Committee. Cllr Gorrie asked whether the outcome of the current work on PFI accounting would have an impact on council tax calculations. The representative from Grant Thornton reported that the work had not been finalised but confirmed that, whatever the outcome, it would not have a material impact on the council tax calculations.</p> <p>The Chair welcomed the decision to carry out a separate audit of the pension fund, as this avoided the risk of any potential conflict of interest. On behalf of the Committee the Chair welcomed Grant Thornton, expressed satisfaction with their work to date and stated that he had positive expectations for the future.</p> <p>RESOLVED</p> <p>That the content of the update be noted.</p>	

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The Deputy Head of Benefits and Local Taxation, Tim Fisher, introduced the report. Mr Fisher reported that Counter Fraud performance in the last quarter had been positive, with 124 sanctions issued against a target of 126, and that the Fraud Team had achieved a CPA rating of 4 (excellent).

In response to the report of the Benefit Fraud Inspectorate following their inspection in 2007, an Anti-Fraud and Corruption Strategy had been drafted and was appended to the report for Members' consideration. The strategy set out who is affected by the document, the importance of deterring benefit fraud, the relevant legislation and the procedures in place to minimise the risk of internal fraud. The Strategy also included changes to the reporting arrangements to the Audit Committee, and a blank example of the proposed new format for reports was also appended.

The Chair asked if there were any questions from the Committee. Cllr Bull asked how much input from Members there had been in drafting the strategy. Mr Fisher responded that the strategy had been drafted without Member input. Cllr Bull responded that he felt that members should have had an opportunity to have input into the strategy, as this was an issue that would have an impact on constituents. Cllr Gorrie supported Cllr Bull's view that Member engagement with the strategy was needed, and enquired as to whether there was an equivalent policy in place for residents when they have been subject to an error on the part of the Council.

Referring to the £1m in overpaid benefit identified as part of counter fraud activity, Cllr Gorrie asked what the total amount of benefit paid out by the Council was annually, and what percentage of this £1m related to fraudulent activities, as opposed to Council or claimant error. Mr Fisher reported that the Council paid approximately £250m in benefits annually, and that the £1m related only to fraudulent activity, as there were separate figures relating to overpayments due to Council error and claimant error. Cllr Bull asked Mr Fisher to supply Committee members with the figures for benefits overpayments due to Council and claimant errors outside the meeting. It was also suggested that it would be useful for Members to know how many individual cases the £1m figure related to.

Cllr Bull expressed concern that the existence of a Fraud Investigation Team gave the impression that the Council was actively seeking out fraudulent activity, and that there was an assumption of guilt on the part of claimants. He felt that this conflicted with the Council's work to ensure that all those who were eligible were claiming the benefits they were due. Mr Fisher responded that counter fraud activity was required as an assurance by central Government, who provide the funding for housing benefits. Counter benefit fraud activity was also required as part of the CPA.

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Cllr Bull stated that prevention of overpayments due to error was essential, and asked how confident the Council was that adequate mechanisms were in place to assist residents for whom English was not their first language, and residents whose literacy levels prevented them from fully understanding the benefits process. Mr Fisher reported that there was a working group with representatives from Housing, particularly in relation to homelessness through the Preventions and Options team, which was looking at ways of ensuring that forms were completed properly.

Cllr Vanier expressed concern that constituents had reported that they had notified the Council when their circumstances had changed, but that it had taken the Council some time to make the necessary amendments. It was therefore important for the Council to improve its own internal systems. Mr Fisher responded that the times for processing changes of circumstances had improved, and that there was currently no backlog of work in the team. Work would continue to ensure that these improvements were maintained. Mr Fisher also reported that a new, shorter application form was being introduced for registering changes of circumstances, and this was welcomed by the Committee.

Mr Fisher reported that the changes to the benefits system relating to the Local Housing Allowance, which had come into force from 7 April 2008, had not caused any problems to date, although the Council was monitoring any potential issues relating to residents seeking to cease their present benefits and reapply under the new system.

The Chief Financial Officer, Mr Almeroth, reported that the strategy that had been drafted was an articulation of procedures that were already in place, but that the Benefit Fraud Inspectorate had recommended that these be documented in a statement agreed by the Committee. In accordance with Members' comments, Mr Almeroth advised that Members would be given an opportunity to provide input into the draft. In response to Cllr Gorrie's query regarding the policy for residents in the event of Council error, Mr Almeroth reported that policies were in place, but that these were not referred to in the report as they did not relate to counter fraud activity. Mr Almeroth also added that the Council had a clear responsibility to detect and prevent benefit fraud, and residents would recognise that these activities were of benefit to all tax-payers; when cases had gone to court, these had been reported favourably by the local press. The Chair commented, concurring with the views and comments of the Chief Financial Officer, that as per the terms of the reference, the committee would need to "monitor Council policies on Whistle blowing and Anti-Fraud and corruption". The Chair commented that he believed that members of the committee were aware of these responsibilities.

There being no further comments, it was:

RESOLVED

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	<p>i. That this report and the work being carried out by the Benefits and Local Taxation Service in relation to Counter Fraud activity be noted, together with Members' comments.</p> <p>ii. That members be consulted on the draft Counter Benefit Fraud strategy before publication.</p>	
PRAC11.	<p>INTERNAL AUDIT PROGRESS REPORT - 2007/08 QUARTER 4</p> <p>The Head of Audit and Risk Management, Anne Woods, introduced the report on the work undertaken by the Internal Audit Service for the fourth quarter 2007/08 and reports outstanding from 2006/07. The previous format had been maintained for this report, but proposed amendments to Internal Audit reporting to the Committee would be presented in June 2008, including proposals for more regular reporting. These proposals would be based on the recommendations that emerged from the review of the effectiveness of the Audit Committee carried out in 2007/08. Appended to the report was the Deloitte and Touche Annual Internal Audit Report, the follow-up tables and disciplinary data for the whole Council. In particular, Ms Woods reported that the Financial Management Standard in Schools work with primary schools had been very successful, with 23 of the 26 primary schools visited meeting the Standard.</p> <p>The Chair thanked Ms Woods for her introduction and asked if there were comments or questions from the Committee. Cllr Gorrie suggested that it would be useful for Members if the report included the dates when each audit was carried out. In relation to the priority 1 recommendations relating to corporate procurement, Cllr Gorrie expressed serious concern at the fundamental nature of some of the audit findings, and also expressed concern that some large projects were only being audited at a stage when there had been significant issues for some time.</p> <p>In relation to the findings of the audit of Waste Management and Recycling, Cllr Gorrie asked whether the Council was still paying disputed amounts to the contractors. Ibrahim Khatib, Internal Audit Manager, confirmed that this was still the case. Cllr Gorrie suggested that the immediate cessation of paying disputed amounts should have been made a priority 1 recommendation of the Waste Management and Recycling Audit.</p> <p>The Chair emphasised that follow-up was essential in order to ensure that the recommendations were implemented, as Members required that recommendations were rigidly enforced. Referring to the Financial Management Standard in Schools work, the Chair asked what follow up action was being taken with those schools that had not met the Standard. Mr Khatib responded that a deadline had been agreed with each school, and that their progress was being monitored. Once the deadline was reached, Internal Audit would ask the schools to provide evidence that the Standard had been reached. The Chair suggested that a final cut-off deadline should be established, by which point every school would have been required to comply with the Standard.</p>	

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	<p>Cllr Gorrie stated that it was a positive thing that Internal Audit was revealing weaknesses that existed, but expressed concern that some of the weaknesses being found were such fundamental issues. He suggested that every project officer should be written to, to ensure that basic requirements were being met, and that written confirmation should be received from every capital project that all audit recommendations were being complied with.</p> <p>In relation to the analysis of disciplinary cases, Cllr Gorrie expressed concern at the number of staff on paid suspension and the length of the suspension periods involved. From the report, Cllr Gorrie estimated that the cost to the Council of paying staff on suspension was over £1m annually, despite the efforts of officers to mitigate this. Ms Woods reported that for disciplinary cases within the Internal Audit team, staff had worked closely with the HR and Occupational Health departments to ensure that any suspensions were managed as tightly as possible, although a small number of particularly complex cases had increased the average period of suspensions, demonstrating that it was not always possible to progress as quickly as hoped. The Committee asked Ms Woods to provide Members with comparative data for other local authorities.</p> <p>There being no further comments, it was:</p> <p>RESOLVED</p> <ol style="list-style-type: none"> i. That, together with the comments from Members and the officers' responses, the audit coverage and progress during the fourth quarter 2007/08 and on the reports outstanding from 2006/07 be noted. ii. That, together with the comments from Members and the officer's responses, the progress and responses received in respect of outstanding audit recommendations be noted. iii. That a time limit should be applied for compliance with each audit recommendation, as the Audit Committee could not accept lapses in compliance once recommendations had been made. 	
<p>PRAC12.</p>	<p>ANNUAL INTERNAL AUDIT PLAN AND AUDIT STRATEGY 2008/09</p> <p>The Head of Audit and Risk Management, Anne Woods, introduced this report, which set out the draft internal audit plan and audit strategy for 2008/09 and how this would be resourced. The internal audit plan was risk-based, and had been produced following consultation with management teams, with items on the plan cross-referenced with departmental risk registers where appropriate. 64 projects were planned, with a small contingency. Any significant changes to the plan would be communicated to the Audit Committee if they arose. Ms Woods reported that the 64 projects did not include visits to individual establishments</p>	

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such as schools, which would add around 29 further projects, meaning that the number of projects overall would be similar to the 91 undertaken in 2007/08.

The Chair asked if there were any questions from the Committee. Cllr Gorrie enquired about progress with the audit of the key financial systems. Ms Woods responded that these were currently in draft form and would be reported to the next Audit Committee meeting, although any key findings had already been reported. Ms Woods reported that the same list of key financial systems would be audited in 2008/09. Cllr Gorrie asked how many priority 1 recommendations and key findings came from audits of key financial systems in 2007/08. Ms Woods responded that of around 126 priority 1 recommendations issued last year, around 2 of these related to key financial systems. Cllr Gorrie queried why the plan included allocating 175 days of the limited resource available on an area of audit where so few issues arose, and where there was little change from year to year, when more days could be better spent on areas where there were potentially greater issues. The Chair disagreed that less time should be spent on the key financial systems, as the quality of the work could not be guaranteed to be consistent each year and required monitoring.

The Chief Financial Officer, Gerald Almeroth, welcomed the comments from Cllr Gorrie, but noted that there were changes to the key financial systems every year and that it was normal under a risk-based approach to spend time on key areas of control such as financial systems. Even were no changes to take place, it would still be necessary to monitor the quality of the work. Mr Almeroth reported that it was more cost-effective for the audit of the key financial systems to be carried out by Internal Audit rather than the external auditor and that, as a proportion of the total audit plan, the time allocated for the key financial systems seemed broadly appropriate. It was noted that the external auditor was reliant on Internal Audit's work on the key financial systems. Mr Almeroth also noted that the audit plan included 80 days on project management work and 75 days on procurement, and that a contingency was available.

Cllr Gorrie expressed concern that an appropriate balance had not quite been achieved in the allocation of resources within the audit plan, and stated that it would be better to focus resources on areas where there were potential greater results. The Chair disagreed with this assessment, however, and stated that, while it was important to focus on obtaining value for money, it was essential for the organisation's fundamental requirements to be safeguarded.

The Chair reminded Members of the Committee's terms of reference, and that the Audit Committee was responsible for the annual audit plan. On behalf of the Committee, the Chair asked the Chief Financial Officer to confirm whether he had thoroughly examined the Internal Audit Plan and was satisfied that it adequately fulfilled all the relevant requirements such as the appropriate legislation, professional guidance and standards including those issued by the Auditing Practices Committee, the CIPFA and the Institute of Internal Auditors, and enabled the Audit Committee

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	<p>to fulfil its responsibilities as per the Committee's terms of reference. In response, Mr Almeroth, the Chief Financial Officer, confirmed that the plan did comply with the relevant standards and requirements.</p> <p>There being no further comments, it was:</p> <p>RESOLVED</p> <p>That, taking into account the comments of the Committee and the confirmation of the Chief Financial Officer that the audit plan complied with the standards set out in the CIPFA code of practice, the Annual Internal Audit Plan for 2008/09 and the internal audit strategy be approved.</p>	
<p>PRAC13.</p>	<p>RISK MANAGEMENT - PROGRESS REPORT AND CORPORATE MANAGEMENT OF RISK STRATEGY</p> <p>The Head of Audit and Risk Management, Anne Woods, presented the report on the current position on risk management implementation across the Council, the revised risk management strategy and a revised register of corporate business risks. The revised risk management strategy incorporated all the various processes involving risk and showed how these fit into the Council's business planning cycle. This new, broader, approach would fit in with the key lines of enquiry. A further update to the corporate risk register was in progress, this would be considered by the Chief Executive's Management Board and would be presented to the Audit Committee later in the year.</p> <p>The Chair asked for confirmation that every Council service was covered by risk registers. Ms Woods confirmed that this was the case in that every Business Unit and Department had its own risk register in addition to the corporate risk register. Homes for Haringey was covered by a separate risk management strategy and risk register, but issues relating to housing in terms of the client relationship were covered by the Council's risk registers under Strategic and Community Housing.</p> <p>Ms Woods provided the Committee with an update on the mutual insurance situation, and reported that the Council was seeking clarification of the judgement that had been handed down. Ms Woods confirmed that insurance cover was in place, and that terms had been accepted early.</p> <p>The Chair asked whether the list of risks over which the Council had no control at paragraph 4.2 of the Risk Management Strategy was exhaustive. Ms Woods confirmed that it would not be possible to compile an exhaustive list, and that the wording of the paragraph would be amended to make explicit that it was not an exhaustive list. Ms Woods also confirmed that the points covered in 3.4 of the completion of risk registers document had been complied with. The Chair asked who was responsible for monitoring that all the designated officers complied with the controls in place. Ms Woods responded that each business unit was responsible for its own risk register, and that these were regularly</p>	

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	<p>reviewed by the departmental management teams. The corporate risk register is reviewed by the Council's management board. A management process was incorporated into the internal audit plan, so that there was also an independent check that controls were being complied with. Ultimate responsibility for the risk registers lay with the Directors, and dates when each register had last been reviewed were included within the report. Overall responsibility for the monitoring of the risk registers lay with the Director of Corporate Resources.</p> <p>There being no further comments, it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i. That the current position on risk management implementation across the Council be noted and the revised risk management strategy approved. ii. That the revised register of corporate business risks be noted and approved, on the basis of confirmation from officers that all services of the Council were covered in the risk registers as approved by the Chief Executive's Management Board and were duly monitored by officers, in order to safeguard the interests of all stakeholders. 	
<p>PRAC14.</p>	<p>DRAFT ANNUAL GOVERNANCE STATEMENT 2007/08</p> <p>The Head of Audit and Risk Management, Anne Woods, reported that the Annual Governance Statement (AGS) had become the new statutory reporting document from 2007/08, replacing the Statement of Internal Control. The process for signing off the AGS was similar to that for the previous Statement of Internal Control, and the Chief Executive and Leader of the Council would require sufficient assurances that responsibilities have been adopted at a corporate level and adequate processes exist and are effective before they sign the AGS. The draft AGS, matrix of supporting assurance and evidence and a proforma for the Management Assurance Statement and self assessment checklist were appended to the report.</p> <p>Following consideration by the Audit Committee, the draft AGS would go to General Purposes Committee in June for approval. The draft AGS had already been presented to CEMB for review and CAB for information. The Chief Financial Officer confirmed that that the revised Management Assurance Statement had been compiled truthfully and in accordance with CIPFA guidelines.</p> <p>Cllr Wilson suggested that the AGS should include the role of Councillors in governance arrangements, such as Members' enquiries. Ms Woods reported that the draft text would be refined to include the roles of Members and the specific role of the Opposition.</p> <p>The Chair enquired whether the draft AGS (Appendix-A), the matrix (Appendix-B) and the Revised Management Assurance Statement</p>	

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	<p>(Appendix-C) had been truthfully compiled, had been checked against the available records and fulfilled the due responsibilities. The Chair also asked whether core officers, as mentioned in point no-6.4, were overseeing the work on all the areas identified in the action plan, to ensure that the issues were appropriately addressed, and that specified deadlines were met. The Chief Financial Officer responded affirmatively to all points.</p> <p>There being no further comments, it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i. That, having reviewed the supporting information, the draft AGS be approved on the basis of confirmation from Council Officers, subject to the comments of the Committee made during discussion of the report. ii. That the approved timescale and process for the draft AGS be noted. 	
<p>PRAC15.</p>	<p>DRAFT LOCAL CODE OF CORPORATE GOVERNANCE</p> <p>The Chief Financial Officer, Gerald Almeroth, reported on the background to the Local Code of Corporate Governance and the draft Local Code. Mr Almeroth reported that, while this was the first time that the elements had been codified and incorporated into a single document, the document reflected the arrangements that were already in place at the Council.</p> <p>The Chair asked if there were questions from the Committee. Cllr Gorrie expressed concern that the wording of Core Principle 2: 'Members and Officers Working Together to Achieve a Common Purpose with Clearly Defined Functions and Roles' did not reflect the political reality of having an opposition, and asked how this could be reflected in the document. Commenting on members' concern, the Chair confirmed that it was his determined objective to conduct the business of this committee, such that it provided independent assurance based on neutral professional advice from our council officers.</p> <p>Mr Almeroth reported that the wording was required under CIPFA and SOLACE guidance, but that further work would be carried out to see how the text could be revised for greater clarity in relation to the distinctions between the ruling party, the opposition and committees such as the Audit Committee and Pensions Committee, where all Members worked together for the best interests of taxpayers.</p> <p>There being no further comments, it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i. That the draft Local Code of Corporate Governance be approved subject to the comments made during discussion of 	

**MINUTES OF THE AUDIT COMMITTEE
MONDAY, 12 MAY 2008**

	<p>the report.</p> <p>ii. That the process and timescale for consulting Member bodies before adoption by full Council be noted.</p>	
PRAC16.	<p>THE REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT</p> <p>The Head of Audit and Risk Management, Anne Woods, introduced this report, which set out the requirements of the Accounts and Audit (amendment) (England) Regulations 2006 and the action taken to address these. Ms Woods reported that reciprocal peer-group reviews had been carried out between the London Borough of Haringey, the London Borough of Waltham Forest and the Royal Borough of Kensington and Chelsea. The final report from the London Borough of Kensington and Chelsea was appended to the report for consideration by the Committee.</p> <p>On behalf of the Committee, the Chair commented that he was personally determined to further improve the performance of the Audit Committee, and that he would be pleased if the external auditors would assist in this task by identifying and scrutinising shortcomings, if any, in the Committee's work. The Chair welcomed the report that no priority recommendations were made by the Royal Borough of Kensington and Chelsea, (who had attained a 4-star CPA assessment) in their review report on the Council.</p> <p>There being no further comments, it was:</p> <p>RESOLVED</p> <p>i. That the findings of the review of the effectiveness of the system of internal audit be noted.</p> <p>ii. That the action plan to address the identified areas for development be approved.</p>	
PRAC17.	<p>NEW ITEMS OF URGENT BUSINESS</p> <p>There were no new items of urgent business.</p> <p>NOTED</p>	
PRAC18.	<p>DATE OF NEXT MEETING</p> <p>The next scheduled meeting of the Audit Committee would take place on Tuesday 24 June at 19:30hrs at the Civic Centre, Wood Green, London N22.</p>	

**MINUTES OF THE AUDIT COMMITTEE
MONDAY, 12 MAY 2008**

The meeting ended at 21:45hrs.

COUNCILLOR GMMH RAHMAN KHAN

Chair

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London Borough of Haringey

External Audit and Inspection Plan 2008-09

May 2008

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Appendices

Appendix A	Work under the Code of Audit Practice
Appendix B	Independence and objectivity

1 Introduction

Background

- 1.1 This plan sets out the audit and inspection work to be undertaken for the 2008-09 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Area Assessment ("CAA"), which from 1 April 2008 replaces Comprehensive Performance Assessment ("CPA"). This plan reflects:
- Our Code of Audit Practice responsibilities
 - Audit and inspection work specified by the Audit Commission for 2008-09
 - Current national risks relevant to the Council's local circumstances
 - Our initial assessment of the Council's local risks and improvement priorities, based on meetings with senior officers, internal audit and review of key Council documents.
- 1.2 During 2008-09, the role of the Relationship Manager will be replaced by the post of a Comprehensive Area Assessment Lead ("CAAL"). The CAAL will provide the focal point for the Commission's work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities. Our work as auditors feeds into this process via the use of resources assessment and other risk based work as well as appropriate dialogue with the CAAL.
- 1.3 As we have not yet completed our audit for 2007-08, the audit planning process for 2008-09, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Our responsibilities

- 1.4 We comply with the statutory requirements governing our audit and inspection work, in particular, the Audit Commission Act 1998, the Local Government Act 1999 and the Code of Audit Practice (the Code). Further details of inspection work, to be carried out by the Audit Commission, are provided in section seven of this plan.

- 1.5 The Code defines auditors' responsibilities in relation to:
- Audited bodies' arrangements for securing value for money in their use of resources (section two)
 - The financial statements, including the annual governance statement (section three).
- 1.6 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 1.7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.
- 1.8 While the Council's Pension Fund remains part of the overall responsibilities of the Council, in reality it is substantially administered separately. The Audit Commission has recognised this and that the accounting and audit arrangements should also be separate. Therefore, in accordance with the Commission's instructions, we are issuing a separate audit plan for the Fund's audit and this element of our audit work will also be subject to a separate audit fee, in line with the Commission's fee guidance for pension fund audits. This plan will be issued after we have completed our pensions work in 2007/08 and the precise scope of the 2008/09 audit is clarified by the Audit Commission.

2 Use of Resources Audit

Introduction and Approach

- 2.1 The Code of Audit Practice ("the Code") requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, having regard to a standard set of relevant criteria, issued by the Audit Commission. In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements, and follow up the Audit Commission's work from previous years to assess progress in implementing agreed recommendations.
- 2.2 In accordance with the Code of Audit Practice, we are required to complete a number of pieces of work to support our Value for Money conclusion. These are set out in the following paragraphs, as well as in Appendix B.

Use of Resources Assessment

- 2.3 This will be the first year of a new use of resources assessment, which will form an element of the CAA framework. The Audit Commission has specified that auditors will complete a use of resources assessment for 2008-09.
- 2.4 There have been significant changes to the criteria for 2008-09. Appendix A outlines the criteria to be assessed as part of our use of resources work and our VFM conclusion. For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Council to mitigate these risks, and plan our work accordingly. We will ensure that we work with officers and members (through the Audit Committee and more widely) to ensure that they are fully informed of the new Use of Resources criteria and guidance, so that the Authority is prepared for the process.
- 2.5 Additionally, our initial risk assessment for wider use of resources assessment and work is shown in Table One overleaf. This will be updated through our continuous planning process as the year progresses.

Risk Assessment and Audit Response

Table One: Local Risk Based Work to Support the 2008-09 Value for Money Conclusion

Risk	Proposed audit response
<p>Partnership working is a central feature of current government policy and focus, and audited bodies will be assessed on the outcomes to citizens across the public sector as a whole.</p> <p>The Local Area Agreement (LAA) has been revised and there are now 35 targets that are comprised within the LAA. The Council is a key player in the delivery of the LAA and should continue to work closely as part of the Haringey Strategic Partnership to ensure the revised LAA is a success.</p>	<p>We will review arrangements for partnerships under 'managing the business' theme in the new Use of Resources.</p>
<p>Haringey is an area that has a high number of people claiming asylum within the Borough. The Council will need to continue to ensure that the funding in respect of asylum seekers is maximised so that the direct financial effect upon the Council is minimised.</p>	<p>We will continue to monitor the management arrangements in place at the Council to address any financial and service risks arising.</p>
<p>We understand that the Office for National Statistics has predicted that the population is likely to remain static for the next 5 years. However, there is a risk that the existing population is understated by approx 10,000 particularly in relation to short term migrants who are excluded from the population statistics. Whilst short term migration brings many benefits to the community, there are also challenges not least in ensuring that services continue to be delivered to their maximum effect.</p>	<p>We will continue to monitor this risk as part of our Use of Resources work for 2008/09.</p>
<p>As with other Councils, the risk of inadequate workforce planning and capacity can impact on delivery of ambitions and priorities, further continuous improvement and strategic planning. Areas where the Council is currently experiencing pressures are youth services and childrens social care.</p>	<p>Auditors' work on the new Use of Resources will be the main area in which workforce issues will be considered.</p>

Risk	Proposed audit response
All types of public body will need to be preparing for and responding to the sustainability agenda.	Auditors' work on Use of Resources will be the main area in which sustainability issues will be considered.
The facilities management services for the Schools PFI scheme is now being managed in house. The Council is taking steps to ensure that this service better meets the requirements of the schools, and also ongoing central government requirements for PFI schemes.	We will continue to assess the progress made as part of our Use of Resources work for 2008/09.
There are ongoing challenging operational and financial issues to be resolved in respect of the management of Alexandra Park and Palace by the Trust which is, for all practical purposes, financially underwritten by the Council.	We will continue to review the Council's progress to oversee the resolution of these issues as part of our 2008/09 Use of Resources work.

Data Quality

2.6 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:

- Stage 1 – review of corporate arrangements
- Stage 2 – analytical review
- Stage 3 – risk-based data quality spot-checks of a sample of performance indicators.

2.7 Work will be focused on the overall arrangements for data quality, particularly on the responsibility of the Council to manage the quality of its data. Work on performance indicators will be within the framework set by the Audit Commission.

Other mandated work

2.8 The Council participates in the National Fraud Initiative, which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies. From 2008/09, work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.

3 Financial Statements Audit

Introduction and Approach

- 3.1 The Council's financial statements are an essential means by which it accounts for the stewardship of resources and its financial performance in the use of those resources. It is the responsibility of the Council to:
- Ensure the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority
 - Maintain proper accounting records
 - Prepare financial statements, which present fairly the financial position of the Council and its expenditure and income in accordance with the Statement of Recommended of Practice.
- 3.2 The auditor is required to audit the financial statements and to give an opinion as to:
- Whether they present fairly the financial position of the Council and its expenditure and income for the year in question
 - Whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
 - Whether the Annual Governance Statement ("AGS") has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.
- 3.3 In order to gain sufficient assurance to support our opinion on the financial statements, we will carry out a review of:
- The Council's arrangements for the preparation of its financial statements, the AGS and the Whole of Government Accounts ("WGA") consolidation pack
 - Internal audit, to determine the extent of reliance we can place on it for the purposes of our audit

- The internal control framework for key financial systems
 - The materiality of balances and transactions impacting on the financial statements
 - The key risks relevant to the preparation and audit of the financial statements.
- 3.4 The adoption of International Financial Reporting Standards ("IFRS") within the public sector has been deferred until 2009/10, but local government remains on target to implement IFRS in 2010/11.

Risk Assessment and Audit Response

- 3.5 We are required to issue an opinion on whether the financial statements present fairly the financial position of the Council as at 31 March 2009, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 ("SoRP"). We will carry out our audit of the accounts in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board ("APB").
- 3.6 Our audit will be risk based. We have not yet carried out a detailed risk assessment for our audit of the 2008-09 accounts, as we have yet to undertake the audit of the 2007-08 accounts. Our high level risk assessment, summarised in Table Two below, reflects largely national developments and issues, which may present a risk to the Council's timely and accurate preparation of its accounts. We will keep our risk assessment under review, and prepare our audit strategy document in June 2009 to take account of our work in continually assessing risks to the audit of the financial statements.

Table Two: 2008-09 Financial Statements Audit – Initial Risk Assessment

Area	Audit Response
We are in the process agreeing the finalisation of the accounting entries for 2007/08 for the Schools PFI. It is likely that some of these accounting entries will also impact upon 2008/09.	As part of our audit work, we will review the key accounting entries for 2008/09 to ensure these have been undertaken correctly.
Although IFRS is not being implemented until 2010/11, it is important that the Council has the necessary arrangements in place to adequately prepare the financial statements by this time.	We will continue to work with the Council to ensure that necessary adjustments take place. This will include working with the Council through senior management presentations.

4 Grant Claims and Returns

Introduction and Approach

- 4.1 In addition to our Code responsibilities, we are required by the Audit Commission to certify the Council's grant claims and returns, in accordance with the following arrangements:
- Claims and returns below £100,000 are not subject to certification
 - Claims and returns between £100,000 and £500,000 are subject to a reduced, 'light touch' certification
 - Claims and returns over £500,000 will be subject to a certification approach determined by the auditor's assessment of the control environment and management preparation of claims.
- 4.2 Robust arrangements for preparing, albeit a small number of claims and returns are important to mitigate a number of risks, including:
- Increased costs to the Council, both in terms of incurring additional fees and also officer time in dealing with issues arising from certification work
 - Delayed payment of grant or financial penalty from grant paying departments, due to delays in claim certification
 - Risk of unexpected grant repayment due to amendments and qualifications
 - Potential adverse impact on external assessment of the Council's governance and internal control arrangements.
- 4.3 To assist the Council in ensuring that arrangements for preparing 2008-09 claims and returns are robust, we will:
- Follow up on any issues raised during our 2007-08 certification work in relation to the Council's preparation of grants
 - Agree the timetable and estimated budget in advance of carrying out our certification work and prepare a detailed plan for this work;
 - Prepare a grants report, summarising issues from the 2008-09 audit, to facilitate continuous improvement.

5 2008/09 Inspection plan

CPA and inspection

- 1 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.
- 2 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 3 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. For CPA 2007, the Council was categorised as four stars.
- 4 We have applied the principles set out in the CPA framework, '*CPA – The Harder Test*', recognising the key strengths and areas for improvement in the Council's performance.
- 5 Strengths in the Council's performance include:
 - Good progress in priority areas such as children and young people, environmental services and safer and stronger communities in 2006/07, with just under three-fifths of performance indicators having shown improvement
 - Continued focus on value for money
 - Clear improvement plans are in place and the Achieving Excellence Programme supports the Council's capacity to deliver further efficiencies and improvements.
- 6 Areas for improvement in the Council's performance include:
 - Improving adult social care and accelerating the pace of improvement in housing
 - Developing its arrangements for the production of the annual accounts
 - Continuing to enhance risk management across the Council and its partnerships
 - Maintaining focus on improving its understanding of costs and their relationship with its priorities and, in particular, on ensuring that costs are commensurate with performance levels.
- 7 On the basis of the planning process we have identified where inspection activity will be focused for 2008/09 as follows.

Table Three: Summary of inspection activity

Inspection Activity	Reason/impact
Comprehensive Area Assessment Lead (CAAL) role	To act as the Commission's primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel (DoT) assessment	An annual assessment, carried out by the CAAL, of how well the Council is securing continuous improvement. The DoT statement will be reported in the Annual Audit and Inspection Letter. The DoT assessment summary will be published on the Commission's website.

6 Audit and Inspection Fee

The fee

- 6.1 We are committed to targeting work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is coordinated with the work of other regulators, and that our work helps you to improve.
- 6.2 Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
- Our cumulative knowledge of the Council
 - Planning guidance issued by the Audit Commission
 - The specific results of previous and ongoing audit work
 - Meetings with Council officers
 - Liaison with internal audit
 - The results of other review agencies' work where relevant.
- 6.3 The structure of scale fees is set out in the Audit Commission's work programme and fee scales 2008-09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 6.4 The Audit Commission has undertaken a national consultation exercise on their proposed work programme and fees for 2008-09. This follows the consultation exercise on the proposed new approach to auditors' use of resources assessments and the introduction of Comprehensive Area Assessment.
- 6.5 Our planned audit fee for the 2008-09 Code audit work is £471,120. Our planned inspection fee for 2008-09 is £26,900.
- 6.6 The total planned audit and inspection fee of £498,020 compares with £497,620 for 2007-08. The scale fee for the Council is £434,000 which is 8% less than the fee we are proposing of £471,120, but well below the 30% level above scale level where we would need to refer our proposals to the Audit Commission.
- 6.7 A breakdown of the audit and inspection fee is provided in Table Four overleaf.

Table Four: Audit and Inspection Fee

Area	Plan 2008-09 £	Plan 2007-08 £
Financial statements	322,360	322,360
Use of Resources	143,920	143,920
Whole of Government Accounts	4,840	4,840
Total Audit Fee	471,120	471,120
Inspection	-	-
Relationship Management and Direction of Travel	26,900	26,500
Total Inspection Fee	26,900	26,500
Total Audit and Inspection Fee	498,020	497,620
Estimate for certification of grant claims and returns	115,000	115,000

6.8 The planned fee above, excludes:

- Certification of grant claims and returns - we will provide an estimate of the cost of certifying 2008-09 grant claims and returns once the 2007-08 certification process has been completed
- The proposed fee for the audit of the Borough's Pension Fund is included in a separate audit plan which we will issue after the 2007/08 work has been completed and the Audit Commission has clarified the scope of the work;
- The Audit Commission's fee for participation in the National Fraud Initiative, which continues to be billed separately
- Dealing with any local government elector questions and objections, which will be billed separately, as required.

Assumptions

6.9 In setting the fee, we have assumed that:

- The level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007-08
- The Council will inform us of significant developments impacting on our audit
- Internal audit meets the appropriate professional standards

- Internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit
 - The Council provides best practice quality working papers and records will be provided to support the financial statements by 30 June 2009. There may be scope to reduce the audit fee if the met level 4 on KLOE 1.1 for producing annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers. This would include having all working papers electronically available, cross referring to the statement of accounts, and a detailed analytical review available at the start of the audit process. This would also involved reducing the overall timescale for the completion of the audit to allow earlier sign off
 - Requested information will be provided within agreed timescales
 - Prompt responses will be provided to draft reports.
- 6.10 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.
- 6.11 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.

Process for agreeing changes in audit fees

- 6.12 Any changes to the plan and proposed fee will be agreed with the Director of Internal Services in advance, and reported to the Audit Committee. Changes may be required if the Council's residual audit risks alter, or is a different level of work is required, for example by the Audit Commission or as a result of changes in legislation, professional standards or financial reporting requirements.

Billing Arrangements

6.13 The audit and inspection fees will be billed as follows:

Table Five: Billing schedule

Fee	Billing Profile
Audit fee £471,120	12 equal monthly instalments from July 2008 to June 2009.
Inspection fee £26,900	11 equal monthly instalments from June 2008 to May 2009.

Advice and Assistance

6.14 Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 we have powers to provide 'advice and assistance' (A&A) to another public body where this is requested. If you wish the Commission to provide additional services under these powers, please contact Jacqueline Barry-Purssell in the first instance.

Non Code Work

6.15 We may agree to carry out additional work outside of the core audit, or non-audit work provided it does not present a conflict of interest and is in accordance with Audit Commission guidance. The scope and fees for any such work will be agreed with the Chief Financial Officer in advance and will be reported to the Audit Committee.

7 Audit and Inspection Team and working together

The Team

7.1 The key members of the audit and inspection team for 2008-09 are shown in Table Six.

Table Six: Key team members

Name	Responsibilities
Jacqueline Barry-Purcell CAA Lead j-barry-purcell@audit-commission.gov.uk	The primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Paul Dossett Engagement Lead paul.dossett@gtuk.com	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive, other senior officers, and the Audit Committee.
Stuart Lloyd Client Service Manager Stuart.lloyd@gtuk.com	Manages and co-ordinates the different elements of the audit work, including certification grant claim and returns. Key point of contact for the Chief Financial Officer and the accountancy team.
Martin Ellender Performance Manager martin.ellender@gtuk.com	Responsible for the delivery of elements of the use of resources work including the value for money theme of the use of resources assessment, and data quality work.
Bob Jacobs Information Technology Audit Manager bob.s.jacobs@gtuk.com	Responsible for the delivery of the Information Technology aspects of our audit.

7.2 The core audit team will be supported by other specialist and support staff, as necessary, during the course of the audit, including:

- Governance and Risk Assurance specialists
- Technical Accounting specialists.

Independence

7.3 We are not aware of any relationships that may affect the independence and objectivity of the audit and inspection team, which we are required by auditing and ethical standards to communicate to you. We comply with the ethical standards issued by the APB and with the Audit Commission's requirements in respect of independence and objectivity as summarised at Appendix B.

Audit and Inspection Outputs

7.4 The table below summarises the audit and inspection reports we plan to issue in respect of the 2008-09 audit and inspection plan.

Table Seven: Summary of Planned Outputs

Planned output	Indicative Date to officers
2008-09 Audit and Inspection plan	May 2008
Direction of Travel Assessment	February 2009
Audit and Inspection Letter 2007/08	February 2009
2008-09 Annual report to those charged with governance ('ISA 260' report which will cover accounts and value for money conclusion)	September 2009
Data quality audit reporting	November 2009
Use of resources – 2008-09 reporting of scores and recommendations	November 2009
Annual audit letter	November 2009
2008-09 Grant Claims Report	December 2009

7.5 Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies, issued by the Audit Commission. Reports are addressed to members or officers and are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Quality of service

- 7.6 We are committed to achieving and maintaining the highest quality of service. If you have any comments on our service, please contact Paul Dossett.
- 7.7 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.

Meetings

- 7.8 The audit and inspection team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 7.9 The meetings will be organised by Grant Thornton and our proposal for this is as described in the table below.

Table Eight: Proposed meetings

Council officers	Audit team	Timing	Purpose
Chief Executive	Engagement Lead (EL) and Audit Manager (AM).	At least six monthly	General update plus audit plan, accounts and VFM progress.
Head of Internal Audit	EL and AM	Quarterly	Update on audit progress and issues.
Chief Financial Officer	EL and AM	Quarterly	Update on financial statement audit issues.
Audit Committee	EL and AM, with Performance Lead and IT Audit Manager as appropriate	In accordance with Audit Committee timetable	Formal reporting of: Audit Plan Annual governance report Annual audit letter Other issues and reports as appropriate

Appendix A Work under the Code of Audit Practice

Financial statements

- 1 Your appointed auditor will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 Your appointed auditor is required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year.
- 3 Your appointed auditor is also required to review whether the Annual Government Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Government Statement is misleading or inconsistent with our knowledge of the Council.

Value for money conclusion

- 4 The Code requires your appointed auditor to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires the auditor to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at [his/her] conclusion.
- 5 In meeting this responsibility, your appointed auditor will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, for example Communities and Local Government, we will normally place reliance on their reported results to inform our work.
- 6 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

- 7 The assessment will emphasise the importance of improved value for money outcomes for local people. It is based on wider considerations other than cost and performance. It will also look at how commissioning and procurement are improving efficiency and how non-financial resources are used to support value for money.

- 8 The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor’s value for money conclusion.
- 9 The overall judgement will be based upon the evidence from three themes scored by the auditor and will give particular emphasis to the value for money outcomes being achieved. The assessment criteria below are based on our current proposals as outlined in our consultation document.

Use of resources assessment criteria

Managing money	<ul style="list-style-type: none"> • Planning for financial health • Understanding costs and efficiencies • Financial reporting
Governing the business	<ul style="list-style-type: none"> • Commissioning and procurement • Good governance • Risk management and internal control
Managing resources	<ul style="list-style-type: none"> • Natural resources • Strategic asset management • Workforce

- 10 We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations for improvement.
- 11 The auditor’s scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CAA.

Data quality

- 12 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:
 - Stage 1 – review of corporate arrangements
 - Stage 2 – analytical review
 - Stage 3 – risk-based data quality spot-checks of a sample of performance indicators.
- 13 Work will be focused on the overall arrangements for data quality, particularly on the responsibility of the Council to manage the quality of its data, including data from partners where relevant.
- 14 Our fee estimate reflects an assessment of risk in relation to the Council’s data quality arrangements and performance indicators. This risk assessment may change depending on our assessment of your overall corporate arrangements at stage 1 and we will update our plan accordingly, including any impact on the fee.

Whole of government accounts

- 15 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office. The 2008-09 WGA consolidated pack will need to be produced in accordance with the International Financial Reporting Standards (IFRS).

National Fraud Initiative

- 16 The Council participates in the National Fraud Initiative, which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies. This work will be carried out by an individual appointed to assist in the audit of the Council's accounts (in accordance with section 3(9) of the Audit Commission Act 1998).

Certification of grant claims and returns

- 17 We will continue to certify the Council's claims and returns on the following basis:
- Claims and returns below £100,000 will not be subject to certification
 - Claims and returns between £100,000 and £500,000 will be subject to a reduced, light-touch certification
 - Claims and returns over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

Appendix B Independence and objectivity

Auditors appointed by the Audit Commission are subject to the Code of Audit Practice ("the Code") which includes the requirement to comply with ISAs when auditing the financial statements. Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. Standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Executive matters which are considered to be of sufficient importance.

Auditors are required by the Code to:

- Carry out their work with independence and objectivity
- Exercise their professional judgement and act independently of both the Commission and the audited body
- Maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest
- Resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as non-Code work in the plan.

The Code also states that the Audit Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Audit Commission work who wish to engage in political activity should obtain prior approval from the Engagement Lead

- Audit staff are expected not to accept appointments as lay school inspectors
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned
- Auditors are expected to comply with the Audit Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence
- Auditors appointed by the Audit Commission should not accept engagements which involve commenting on the performance of other Audit Commission auditors on Audit Commission work without first consulting the Audit Commission
- Auditors are expected to comply with the Audit Commission's policy for both the Engagement Lead and the second in command (Audit Manager) to be changed on each audit at least once every five years with effect from 1 April 2003 (subject to agreed transitional arrangements)
- Audit suppliers are required to obtain the Audit Commission's written approval prior to changing any Engagement Lead in respect of each audited body
- The Audit Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or Audit Manager has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

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Grant Thornton

HEALTH INEQUALITIES

REPORT TO AUDIT COMMITTEE

24 June 2008

Introduction

The purpose of this document is to provide a brief summary of our findings in respect of the work that has recently been undertaken on Health Inequalities (HI) in Haringey. We have recently presented our main findings to key staff at both the Council and the PCT. This update provides commentary on the Audit Commission's 6 Key lines of Enquiry (KLOES) for this project that we have evaluated, and includes detail on strengths in these areas, in addition to an outline of potential areas that could be developed further. At the Well Being Partnership Board we presented our main recommendations resulting from the review. A joint action plan will be formulated by the partners and reported back later.

Referred to within this document are the results of a 'SNAP' survey - this survey was sent to officers and staff of both the Borough and the PCT and additionally members of the voluntary sector. We received 18 responses to the survey and hence the results cannot be taken as being statistically significant, however we have included some reference to these results to generate discussion.

Overall we have found that, compared to other reviews we have carried out in the South East of England, that Haringey is advanced in its health inequalities agenda and it is important that this momentum is continued and further enhanced.

KLOE 1 Delivering Strategic and operational objectives

1. Review of the various agencies' strategies demonstrates that there are good structural links in place across the partnership to promote health and wellbeing. Each strategy document has its own focus but it is clear to see how the various documents relate to each other with the clearly stated aims of improving well being and reducing HI.
2. A key challenge for the partners going forward will be to look at developing further the Joint Strategic Needs Assessment (JSNA). The development of the JSNA at Haringey is potentially more challenging than other areas given the inherent high mobility of the population in this early part of the 21st century, especially since the admission of the accession states to the EU.
3. Leadership of the HI agenda appears to be sound - there are clear structures in place and a Joint Director of Public Health has recently been appointed which is a key role in leading and driving forward the HI agenda. Public health teams at the PCT and the Council have been instrumental in setting health priorities that have informed strategy development at an organisational and partnership level.
4. A well being scorecard has been developed incorporating targets that are monitored at the Well Being Partnership Board. We see this as a crucial initiative in helping to monitor outcomes and challenge performance.
5. Nearly 90% of staff respondents to our survey agreed that their organisation's financial plans identified resources for achieving the health inequalities plan - clearly very positive. However, when respondents were asked to indicate the extent to which they understood whether a cost benefit analysis of the options for action to reduce HI had been undertaken in the past 2 years, over half said "No". It would appear therefore from the survey and also from feedback in meetings with staff that there is an opportunity to promote a wider understanding of and focus on the cost -benefits of specific courses of action.

KLOE 2 Delivering in Partnership

1. There are examples of strong joint work on specific areas and issues. There is the joint appointment of the Director of Public Health, which is funded via a 50/50 split between the Council and the PCT. There is a clear agreement that there is a shared process with partners for identifying local health inequalities, and Haringey has been recognised within the community for their partnership working.
2. The LAA has recently been updated with significant commitment to 35 challenging targets, some of which focus on health and wellbeing. Once these have been finally agreed it will be important to update the well being scorecard and monitor these targets. There is strong flavour of health and well being within the 35 targets.
3. The Well Being Partnership Board is a key Partnership body in Haringey, and has a busy and full agenda. Its terms of reference state that it is a strategic level body and therefore it is important it continues to have a strategic focus, and operational issues are brought there only if they relate to the Well Being Framework.
4. We took the view that although there has been engagement with provider trusts for the Health Inequalities agenda their presence and focus did not yet reflect their crucial role in taking HI forward. In particular their presence at the front line where HI are presented by a mobile population is a vital source of information as the provider trusts have access to more vulnerable people who habitually visit A&E rather than attend a GP practice.
5. There is a strong relationship with the voluntary sector, in particular with HAVCO, which has provided access to information to feed into the health inequalities agenda. There was agreement however that there is an opportunity to become more involved with research institutions and to potentially identify a university with an interest in HI to join the partnership board.
6. There is evidence that the public have been engaged in developing health strategies, there is also further engagement expected from the Public Health team leading up to the production of the JSNA. However, it was not clear that there were effective mechanisms for members of the community to get involved in developing action on HI - this was supported by our survey results.

KLOE 3 Using information and intelligence to drive decisions

1. The last public health report was in 2006, however the Director of Public Health, since appointment in January 2008, has been working on the JSNA which will in effect become the next public health report. The report will develop in a more interactive fashion than the current public health report, which is a more traditional public sector organisation driven model. It is clear that there will need to be the appropriate IT platform in place to support the functionality that is envisaged for the JSNA.
2. The lack of capacity has been flagged with the Public Health team in terms of analyst skills, as a high degree of effort is required for extraction and interpretation of data and then applying them to Commissioning. There are currently three vacant consultant posts, which once filled will address the current challenges.
3. There has been an Equalities Impact Assessment undertaken in relation to the Primary Care Strategy used to assess access to Primary Care by all groups within the Community. The Public Health team are being quite clear in their approach to the JSNA as to what they do and don't know about their community, they will then devise plans to address those gaps.

4. Consistent with the partnership theme, there is evidence that there has been engagement with the wider community with health strategies however input from provider trusts, research institutions could be engaged further to provide data. The community buy-in is essential to gain momentum with the HI agenda.

KLOE 4 Securing engagement from the workforce

1. The Community Strategy is in place and all partners are signed up to the Well Being Strategic Framework. The Director of Public Health role is already beginning to enhance further the positive working relationships that exist between the Council and the PCT.

2. There is clearly specialist public health skill and capacity that is available to the partners, although the survey undertaken indicated that nearly 75% of recipients had not had joint training with partners on HI. There is potentially an opportunity to enhance joint training in HI at both Non Executive Director and Member level as well as further down the organisation.

KLOE 5 Performance Management

1. The Well Being Scorecard has been developed which has been viewed as a realistic measurement tool. When we attended the Well Being Partnership Board the Scorecard was included with a very full agenda and covered only briefly. We suggest that consideration is given to how the agenda might give greater opportunity to discuss challenges in the outturns relating to the Well Being Strategic Framework. It may be that this is done via a regular report from the Well Being Chair Executive that highlights challenging areas. It may also be assisted by agenda items being clearly labelled with the relevant Well Being Strategic Framework outcomes.

2. The Well Being Scorecard will need to be refreshed after final agreement to the new LAA targets.

3. Our work indicates, and survey results support, that there is not enough information available to show how HI has narrowed in the past two years. We accept that this is particularly challenging in HI as it is difficult to link the impact as a result of the action, however we take the view that more needs to be done to pursue and share trend information over a longer period which would provide empirical evidence.

4. The role of the JSNA is crucial in taking the HI agenda forward, once complete there may be more opportunities to ensure greater recognition of specific HI targets/performance within the wider commissioning strategies, community partnerships etc.

KLOE 6 Corporate Responsibility

1. There have been several examples identified of good practice in relation to wellbeing programmes run for staff at partner organisations. Examples include staff concessions at leisure centres, tips on staying stress free, and programmes at both the Council and the PCT focussing on cycling and walking to work. There is also a scheme in place at the Council known as the Haringey guarantee which is a scheme for tackling worklessness through working with employers and local communities to provide work and skills for local people.

2. Although the programmes identified above are all positive, we have not found evidence of formal corporate responsibility policies in place at partner organisations. If policies were developed, this could assist in promoting corporate responsibility principles more widely and also minimising potential risk (financial and reputational) to organisations from not having clear policies and guidelines in place.

3. Financial implications of corporate responsibility - we have requested additional information in this area to further our understanding and are awaiting receipt of this.



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Haringey Council

Agenda item:

[No.]**Audit Committee****On 24 June 2008**Report Title: **Annual Audit Report and Assurance Statement 2007/08**Forward Plan reference number (if applicable): **N/A**Report of: **Head of Audit and Risk Management**Wards(s) affected: **All**Report for: **Non-key decision****1. Purpose**

1.1 To inform Members of the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2007/08 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 2007/08.

2.2 That the annual audit report and assurance statement is referred to the next available Full Council meeting for information.

Report Authorised by: **Chief Financial Officer**

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

Tel: 020 8489 5973**Email:** anne.woods@haringey.gov.uk**3. Local Government (Access to Information) Act 1985**

3.1 List of background documents:

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

- Accounts and Audit (amendment) (England) Regulations 2006.
- CIPFA Code of Practice for Internal Audit 2006
- CIPFA guidance on the Annual Governance Statement

4. Background

- 4.1 One of the terms of reference for the Audit Committee is *'to consider the Head of Audit and Risk Management's annual report and a summary of Internal Audit activity (actual and proposed and the level of assurance it can provide about the Council's corporate governance arrangements.'*
- 4.2 In addition, the 2006 CIPFA Code of Practice for Internal Audit sets out annual reporting requirements for the Head of Audit and Risk Management. In order to satisfy the requirements of the CIPFA Code of Practice, 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 Annual Governance Statement (AGS); 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.
- 4.2 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Haringey Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 4.3 The CIPFA Code of Practice for Internal Audit states that the internal control environment comprises three key areas: internal control; corporate governance; and risk management processes. The opinion on the effectiveness of the internal control environment is based on an assessment of these key areas.
- 4.4 The Accounts and Audit (Amendment) (England) Regulations 2006, which came into effect on 1st April 2006, require 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.'
- 4.5 As part of the 2006 Regulations, the Council is required to review, at least annually, the effectiveness of its system of internal control. The review of effectiveness of the system of internal control is informed by the work of internal audit and the council's senior managers who have responsibility for the development and maintenance of the internal control environment. The review of effectiveness is also informed by comments made by the council's external auditors in their annual letter and other review agencies and inspectorates in their reports.

5. Basis of assurance

- 5.1 The Head of Audit and Risk Management's opinion is derived from work completed during 2007/08 as part of the agreed annual audit plan, and any investigations into breaches of financial irregularity. Where relevant, any assessment of the council's corporate governance arrangements and risk management processes are also taken into account.
- 5.2 The internal audit plan for 2007/08 was developed to provide management with independent assurance on the adequacy and effectiveness of the systems of internal control. The plan was designed to ensure adequate coverage over the year of the Council's accounting and operational systems.
- 5.3 Internal audit work has been conducted in accordance with mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit and additionally from internal audit's own quality assurance systems.
- 5.4 The opinion is limited to the work carried out by Internal Audit based on the annual internal audit plan. Wherever possible, the work of other assurance providers, including external audit, has been taken into account.

6. Overall Audit Opinion 2007/08

- 6.1 The Internal Audit work, using a risk based approach, included reviews of those systems, projects, and establishments sufficient to discharge the Chief Financial Officer's responsibilities under s151 of the Local Government Act 1972; the 2006 CIPFA Code of Practice for Internal Audit and the 2006 Accounts and Audit (Amendment) (England) Regulations. The opinion is based on the work undertaken. Work was planned and performed in order to obtain the information necessary to provide sufficient evidence to give reasonable assurance of the internal control systems tested.
- 6.2 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 system of internal control in operation during the year to 31 March 2008 accords with proper practice and is fundamentally sound. The opinion relates only to the systems and areas reviewed during the year and any details of significant control issues identified are included in the report.

7. Assurance from the work of Internal Audit

- 7.1 During 2007/08, Internal Audit undertook 91 planned reviews, using a risk based approach. The outcome of the reviews indicated that generally the overall adequacy and effectiveness of the system of internal control is satisfactory.
- 7.2 Internal Audit were satisfied with management responses in those areas which had received a 'limited' assurance rating. In addition, detailed monitoring was undertaken during 2007/08 on all Priority 1 recommendations to ensure that appropriate action was undertaken to address the risks identified during the course of the original audit. As at the 31 March 2008, 92% of all Priority 1 recommendations had been fully addressed and action was being taken to address the remaining 8%. Internal Audit were satisfied with the responses from management on this area of follow up work.
- 7.3 A detailed report on the work of Internal Audit is attached at Appendix A to this report.

8. Assurance on 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 has been developed to comply with the CIPFA/SOLACE recommended framework and guidance on corporate governance. The council's draft Local Code of Corporate Governance, which codifies the council's governance arrangements, was reported to the Audit Committee in May 2008. The arrangements which support the Local Code of Corporate Governance have been in place and operating effectively for a number of years.
- 8.2 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.
- 8.3 A review of the council's Corporate Governance arrangements was completed as part of the 2007/08 annual audit programme. The council's arrangements were measured against the requirements of the CIPFA/SOLACE guidelines. Although the report has not yet been finalised, no fundamental risks were identified during the review and the initial feedback has been that a substantial assurance rating will be provided. The detailed findings will be reported to the Audit Committee in due course.
- 8.4 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 council's Annual Governance Statement (AGS). CIPFA guidance dictates the form and basic content of the AGS and its approval and publication with the authority's statement of accounts represents the end process of the annual review of internal control.
- 8.5 As part of the process to compile the AGS, all Directors and Assistant Chief Executives were required to provide an assessment of the governance arrangements operating within their area of responsibility. The assessments covered the key areas of corporate governance including:
- Risk Management;
 - Performance Management
 - Financial Management;
 - Corporate Governance;
 - Procurement and contract management;
 - Information Management;
 - Project Management;
 - Partnerships;
 - Business Continuity Plans; and
 - Internal audit recommendations.
- 8.6 These self assessment statements underpin the AGS. The completed assessments identified that all significant governance issues which had been brought to the attention of Directors and Assistant Chief Executives had been appropriately dealt with, or had been included in the AGS.

8.7 Corporate governance is effective in most areas within the council. The main areas for continuing action were included within the AGS relate to:

- Embedding partnership governance arrangements;
- Embedding the Local Code of Corporate Governance across the Council and providing corporate governance assurances to officers and members;
- Improving corporate data management systems and procedures; and
- Fully embedding the revised corporate Management of Risk Strategy.

9. Assurance on Risk Management

- 9.1 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 2007/08, the council's corporate risk management strategy was reviewed and updated to reflect the progress made to date in embedding risk management. The revised risk management strategy draws together all key areas into a cohesive framework to ensure that the council manages its risks in the most appropriate way.
- 9.2 Regular reports to managers and members during 2007/08 by Internal Audit provided updates on the management of key business risks. Risk registers and the processes to keep these updated are fully embedded at business unit, departmental and corporate levels.
- 9.3 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. Based on the testing completed, where no risk registers were assessed as providing 'limited', or 'no' assurance, the risks identified within business units were being managed appropriately.
- 9.4 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.
- 9.5 Training on risk management was provided to managers and members during 2007/08 by Internal Audit. In addition, Internal Audit worked with the Supporting People team to deliver training on risk management to the external providers of services. As a result, key service delivery partners have developed risk registers which are based on the council's framework and are aligned to the council's service delivery objectives.
- 9.6 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.

10. Assurance from External Inspections

- 10.1 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. In formulating the overall opinion on internal control, the Head of Audit and Risk Management took into account the work undertaken by external inspections.

- 10.2 In 2007/08 the Audit Commission completed their annual assessment for the Use of Resources, including financial standing, financial reporting, financial management and internal control. Their conclusion was that the council had maintained its position in four of the five themes and has arrangements in place around Financial Management, Financial Standing, Internal Control and Value for Money that are performing well. A number of improvement opportunities were highlighted and an action plan was put in place to ensure that these are being addressed.
- 10.3 The Audit Commission's Annual Audit and Inspection letter concluded that the council is improving well and has been assessed as a three-star authority under the Comprehensive Performance Assessment (CPA) framework.
- 10.4 During 2007/08, the Housing Benefits Security arrangements were inspected by the Benefits Fraud Inspectorate (BFI). Six high priority recommendations were raised and a further 14 lower priority recommendations were made. A response plan was agreed and reported to the Audit Committee in January 2008, which highlighted the fact that all high priority recommendations had been addressed by management.
- 10.5 The Interception of Communications Commissioners Office (ICCO) also inspected the council's policies and procedures relating to Part 1, Chapter 2 of the Regulation of Investigatory Powers Act 2000 (RIPA). The ICCO concluded that the council's arrangements were lawful and in accordance with the regulations. A number of recommendations were made to further improve processes, and these were reported to the Audit Committee, together with the agreed action plan to address the recommendations, all of which have been completed.

11. Assurance on the Effectiveness of Internal Audit

- 11.1 In April 2008, a review of the effectiveness of the council's internal audit arrangements in place during 2007/08 was completed by the Royal Borough of Kensington and Chelsea. The review used the CIPFA Code of Practice and the council's compliance with the standards required of it as its basis. The review concluded that Haringey had complied with the Code of Practice and that Internal Audit arrangements were effective. The full report, including areas for improvement and the resulting action plan to address these, was submitted to the Audit Committee for approval.

12. Qualifications to the Head of Audit Opinion

- 12.1 Internal Audit has unrestricted access to all areas and systems across the council, a right which is explicit within the Council's constitution, and has received appropriate co-operation from officers and members.

Annual Report on Internal Audit Activity 2007/08

1. Summary of Internal Audit work

- 1.1 Internal Audit services, excluding the investigation of allegations 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.
- 1.2 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	There is a basically sound system, but 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.

- 1.3 For 2007/08 a total of 81 projects, including schools and social services establishment visits, formed the 2007/08 annual audit plan. Resources to assist departments with the development and implementation of risk management and project management arrangements were also delivered, although no reports are issued in these areas.
- 1.4 In addition, requests for additional audit work were made during 2007/08 and a further ten projects were completed. A summary of the work completed, by 31 March 2008, against the planned work is shown at Table 2 below. Including additional projects, a completion rate of 83% (based on final reports issued) was achieved by 31 March 2008.

Table 2 – Planned work vs. actual completion rates

	Number of projects planned	Number of final reports issued	Number of draft reports issued	%
Key systems	12	8	4	67
Other systems	39	29	10	74
Establishments	4	4	0	100
Schools	26	24	2	92
Additional projects	10	10	0	100
Total	91	75	16	83

- 1.5 Internal Audit performs reviews of the Council's key systems on an annual basis. This is completed in agreement with the council's external auditors (for 2007/08 this was 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.
- 1.6 The assurance levels provided for the key systems work is shown in Table 3 below. Four reports are still to be finalised for 2007/08, However, based on the findings of the draft reports, all are expected to be given a 'substantial' assurance rating. For comparison purposes, the assurance levels for 2005/06 and 2006/07 are also included.

Table 3 – key systems assurance ratings

Assurance level	2005/06	2006/07	2007/08
Full	0	1	1
Substantial	11	10	7
Limited	1	1	0
Nil	0	0	0
Total	12	12	8

- 1.7 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.
- 1.8 There are no national or Best Value performance indicators for internal audit work. However, three local performance indicators 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 2007/08 is recorded in Table 4 below.
- 1.9 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 26 customer evaluation questionnaires received during 2007/08 was 3.25, 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)	83%	95%
Time taken to complete investigations by in-house staff (2007/08 referrals)	13.4 weeks	12 weeks
User satisfaction (1 low, to 5 high)	3.25	3.75

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

2. In-house team – fraud and irregularities

2.1 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.

2.2 During 2007/08, a total of 25 investigations were completed involving Council employees. The allegations covered a number of issues including misuse of blue badges, working whilst off sick and council tax and housing benefit fraud. Table 5 below summarises the investigations completed by department.

2.3 For comparison purposes, figures for 2005/06 and 2006/07 are included. Cases from previous years have been included in the current organisational structure, e.g. Library Services investigations are now included within ACCS. The table below excludes investigations completed for Homes for Haringey. Of the 26 cases investigated, 23 were concluded within the 2007/08 financial year and 3 were carried forward into 2008/09.

Table 5 – Investigations by department

Department	Investigations Completed 2005/06	Investigations Completed 2006/07	Investigations Completed 2007/08
Chief Executive – POD	0	0	0
Chief Executive – PPPC	1	3	0
Corporate Resources	4	9	4
Children and Young People's Service	2	7	7
Adults, Culture and Community Services	4	5	6
Urban Environment	8	7	8
Total	19	31	26

2.4 The Council's anti-fraud and corruption arrangements are robust, with a clear strategy and detailed fraud response plan in place. Regular reminders regarding expected standards of behaviour and how to report suspected fraud are provided via staff and other newsletters and the council's intranet and website. 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.

- 2.5 Operational arrangements are supported by Codes of Conduct, the Employees Disciplinary Code and the Whistle-blowing 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.
- 2.6 During 2007/08, 54 referrals were made via the council's email reporting facility. Of these, 20 were not fraud related and were referred on to the relevant department in order for the issue to be dealt with; 17 were in relation to housing benefit/council tax issues; 7 related to planning and enforcement issues; 4 related to Right-to-Buy processes and discounts; 2 related to school admissions issues; 2 related to the award of grants; 1 related to housing application processes and 1 related to an individual's identity.



Haringey Council

Agenda item:

[No.]**Audit Committee****On 24 June 2008**Report Title: **Internal Audit Service – Terms of Reference**Forward Plan reference number (if applicable): **N/A**Report of: **Head of Audit and Risk Management**Wards(s) affected: **All**Report for: **Non-key decision****1. Purpose**

1.1 To inform Members of the revised Terms of Reference for the Internal Audit Service

2. Recommendations

2.1 That the Audit Committee approves the revised Terms of Reference for the Internal Audit Service

Report Authorised by: **Chief Financial Officer**

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

Tel: 020 8489 5973**Email:** anne.woods@haringey.gov.uk**3. Local Government (Access to Information) Act 1985**

3.1 List of background documents:

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

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

4. Background

- 4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published their revised Code of Practice for Internal Audit in Local Government (the Code) in December 2006, which updated the 2003 Code of Practice. The Code reflected changes arising from the amendments to the Accounts and Audit Regulations in 2006 and practice relating to corporate governance that emphasise the importance of internal audit to the proper management of organisations.
- 4.2 The 2006 Code more closely aligns practice with current approaches for auditors, particularly in respect of developments in risk management and planning audit activity. All local authorities must make provision for internal audit in accordance with the Code. The Code applies equally to internal audit services which are provided by in-house audit teams and by external contractors who provide either partial services in support of an in-house team or the whole audit service.
- 4.3 The Code sets out the definitions and principles (the standards) which establish how a professional internal audit service should operate in the local government context. It provides a framework for measurement, management and monitoring of the function.
- 4.4 Local government organisations should comply with the requirements set out in the Code. Haringey has agreed to test internal audit's compliance with the Code as part of the independent review of the effectiveness of internal audit which will be completed during April and May 2007. A separate report will be brought to the Audit Committee later in the year detailing the process and outcome of this review.
- 4.5 One of the requirements of the Code is for Internal Audit to have in place formally defined Terms of Reference (TOR) for its services which are consistent with the Code. The Audit Committee approved the TOR for Internal Audit services at Haringey in April 2007, but it is good practice to review and present them on a regular basis to ensure that they remain appropriate.

5. CIPFA Code of Practice

- 5.1 The Code states that the purpose, authority and responsibility of Internal Audit must be formally defined by the organisation in terms of reference consistent with it.
- 5.2 The Code states that the Terms of Reference should:
- a) Establish the responsibilities and objectives of Internal Audit;
 - b) Establish the organisational independence of Internal Audit;
 - c) Establish the accountability, reporting lines and relationships between the Head of Audit and those charged with governance, together with those to whom the Head of audit may report;
 - d) Recognise the Internal audit's remit extends to the entire control environment of the organisation;
 - e) Identify Internal Audit's contribution to the review of the effectiveness of the control environment
 - f) Require and enable to Head of Audit to deliver an annual audit opinion;
 - g) Define the role of Internal Audit in any fraud-related or consultancy work;

- h) Explain how Internal Audit's resource requirements will be assessed; and
- i) Establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations.

6. Terms of Reference.

- 6.1 The revised Terms of Reference for Haringey's Internal Audit service are attached at Appendix A. The Terms of Reference have been written with due regard to the Code of Practice and cover all the required elements listed at paragraph 6.2 of this report.
- 6.2 The revised Terms of Reference will be communicated across the Council by including them as part of the Audit and Risk Management pages on the council's intranet site (Harinet).
- 6.3 The Terms of Reference will be reviewed on a regular basis, or in response to any changes to the Code or other statutory or local requirements, and presented to the Audit Committee for formal approval.

7. Financial Procedure Rules

- 7.1 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. Internal Audit's right of access is also listed.
- 7.2 Legal Services have confirmed that there is no necessity to amend the Council's Constitution in order for Internal Audit to comply with the Code.

Introduction

The Terms of Reference for Internal Audit describe the purpose, authority and principal responsibilities of the Council's Internal Audit function.

Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It is not an extension of, nor a substitute for, good management. Internal Audit is responsible for giving assurance to the Council and the s151 Officer on all internal control arrangements. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible. It remains the duty of management, not Internal Audit, to operate an adequate system of internal control. It is for management to determine whether or not to accept audit recommendations and to recognise and accept the risks of not taking action.

Scope and Objectives

Internal Audit is an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. All the council's activities, funded from whatever source, fall within the remit of the internal audit service.

The scope of Internal Audit allows for unrestricted access to all officers, records and premises deemed necessary in the course of the audit. This right of access is included in the Council's Constitution (Part Four, Section I, paragraph 1.30). In addition, where necessary, the Head of Audit and Risk Management has authority to report to any body of the Council matters which are considered to adversely affect the efficient/proper use of the Council's resources. There are no limitations on internal audit's scope of activities.

It is not within the remit of Internal Audit to question the appropriateness of policy decisions. However, Internal Audit is required to examine the arrangements by which such decisions are made, monitored and reviewed.

Internal Audit may also conduct any special reviews requested by the Council, Audit Committee or the s151 Officer, provided such reviews do not compromise its objectivity, independence or achievement of the approved audit plan.

Responsibilities

Internal Audit is responsible for:

- agreeing an audit strategy with the Audit Committee;
- agreeing an annual audit plan with the Audit Committee and carrying out the agreed work in line with appropriate professional standards;
- providing assurances, advice, opinions and making recommendations to improve processes and systems where appropriate;
- following up recommendations made to evaluate action taken;
- assisting line management to investigate all frauds and financial irregularities, whilst acknowledging that managing the risk of fraud and corruption is the primary responsibility of management;

- reporting to the Audit Committee and the s151 Officer any significant business risks, serious control weaknesses, significant fraud or other major control breakdown;
- complying with requests for information from the s151 Officer, Audit Committee, or the council's External Auditors;
- liaising with External Audit and other external bodies as appropriate;
- maintaining effective communication with the council's managers;
- offering advisory services without assuming management responsibility or jeopardising achievement of the audit plan;
- providing performance measures to demonstrate effectiveness of the Internal Audit service;
- producing an annual report for the Audit Committee, giving an opinion of the Council's control environment;
- contributing to the production of the council's Annual Governance Statement; and
- helping to keep the Audit Committee informed of perceived best practice.

Standards

Internal Audit adopts standards established by The Chartered Institute of Public Finance and Accountancy (CIPFA) in undertaking its work. In particular, CIPFA has issued the Code of Practices for Internal Audit in Local Government 2006 which sets out the duties and responsibilities of internal auditors in local authorities. Internal Audit will follow the guidance in this document as 'proper practice' in the provision of the Internal Audit Service to the Council.

Internal Audit's work will be performed with due professional care, in accordance with appropriate professional auditing practice and the standards laid down in the Code of Practice.

In achieving its objectives the internal audit service will develop and implement an audit strategy that assesses the institution's arrangements for risk management, control and governance and for achieving value for money.

The Head of Audit and Risk Management is responsible for implementing measures to monitor the effectiveness of the service and compliance with standards. In addition, the Audit Committee should consider and approve the performance measures used by internal audit, and should also review the independent assessment of internal audit's effectiveness.

Approach

Internal Audit employs a risk-based, systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes by assessing the:

- identification and management of business risks;
- soundness, adequacy and application of the internal control systems;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets from fraud, irregularity or corruption; and

- compliance with laws, regulations, contracts and established policies, procedures and good practice.

The Head of Audit and Risk Management will manage the provision of the Internal Audit service to the Council by:

- Preparing a rolling strategic audit plan for the Council's key financial systems and a risk-based annual audit plan for agreement by the Audit Committee;
- Ensuring audit work is supervised, recorded and reported;
- Preparing an annual report on the work of internal audit for submission to the Audit Committee, giving an overall opinion on the reliability of the system of internal control.

Independence

Internal Audit has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide advice on risk management, control and governance, value for money and related matters, subject to resource constraints and the need to maintain objectivity. Where internal audit is asked to provide any services in a consultancy role, this should be made clear in the project brief.

For day-to-day administrative and budgetary purposes, the Head of Audit and Risk Management reports to the s151 Officer. The Head of Audit and Risk Management reports to the Audit Committee, and has direct access to the Chief Executive and Chair of the Audit Committee.

Within the Council, responsibility for risk management, control and governance assignments, and value for money rests fully with management, who should ensure that appropriate and adequate arrangements exist without reliance on Internal Audit. To preserve the objectivity and impartiality of the internal auditors' professional judgement, responsibility for implementing audit recommendations rests with management.

Access

There are no limitations in Internal Audit's right of access to council officers, records, information, or premises which it considers necessary to fulfil its responsibilities. These rights of access are set out in the Council's Constitution (Part Four, Section I, paragraph 1.30).

The Head of Audit and Risk Management has a right of direct access to the Chief Executive and the Chair of the Audit Committee. In turn, Internal Audit agrees to comply with any requests from the external auditors and other relevant external bodies for access to any information, files or working papers obtained or prepared during audit work that they need to discharge their responsibilities.

Where key services are to be provided to the Council by other contractors or through a partnership, in order for internal audit to form an opinion on the controls operating, a right of access to relevant information and documents should be included in contracts or agreements concerned.

Reporting

All audits will be the subject of formal reports. Internal audit has an agreed reporting protocol which defines the timescales and distribution processes for all reports including system reviews, establishment audits and investigations into financial irregularities. Managers are required to respond to each audit report, stating their proposed action with a timetable for implementing agreed recommendations. A summary of all audit reports issued is presented on a quarterly basis to the Council's Audit Committee. In addition the Audit Committee will monitor the implementation of audit recommendations.

The Head of Audit and Risk Management is required to give an annual opinion to the s151 Officer and the Audit Committee, on the adequacy and effectiveness of the whole internal control system within the Council, and the extent to which it can be relied on. The Head of Audit and Risk Management gives an opinion on whether the control arrangements, including those for economy, efficiency and effectiveness, are adequate and properly applied.

Any serious weaknesses, significant fraud or major accounting breakdown discovered during the normal course of audit work will be reported to the relevant Director or Assistant Chief Executive and, if necessary, to the Chair of the Audit Committee and the Council's external auditors.

Resources

Haringey Council has taken the decision to provide the majority of its internal audit service via an external private sector company, alongside a small in-house service, in order to provide a cost-effective service.

The Council is committed to procuring and providing a service that meets recommended best practice standards and ensuring that internal audit resources are sufficient to meet its responsibilities and achieve its objectives. The resources and staffing requirements of the Internal Audit Section will be kept under review by the Head of Audit and Risk Management, bearing in mind the resource requirements identified in the strategic and annual audit plans.

Liaison

Internal Audit will liaise with the Council's external auditors to minimise the risk of duplication of audit work and enhance the level of service it provides to the organisation.

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Haringey Council

Agenda item:

[No.]**Audit Committee****On 24 June 2008**Report Title: **Audit Committee – annual work plan**Forward Plan reference number (if applicable): **N/A**Report of: **Head of Audit and Risk Management**Wards(s) affected: **All**Report for: **Non-key decision****1. Purpose**

1.1 To inform Members of the Committee's proposed annual work plan for the 2008/09 municipal year.

2. Recommendations

2.1 That the Audit Committee approves the annual work plan for 2008/09 and makes recommendations to include any further reports or pieces of work which Members consider appropriate.

Report Authorised by: **Chief Financial Officer**

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

Tel: 020 8489 5973**Email:** anne.woods@haringey.gov.uk**3. Local Government (Access to Information) Act 1985****3.1 List of background documents:**

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

- Please contact the Head of Audit and Risk Management for details of the background papers used in the production of this report.

4. Background

- 4.1 At the Audit Committee in October 2007, a report provided details of the how the committee would respond to the recommendations in the IPF Toolkit and the Audit Commission's Use of Resources report, which highlighted the need to review Haringey's audit committee and its effectiveness.
- 4.2 Feedback and input from Members was used as part of the review which was completed, in order to provide a framework for the future development and increased effectiveness of the Audit Committee.
- 4.3 Members wanted to ensure that the Audit Committee was a useful tool for the council and that this opportunity to improve effectiveness was used to enable members to become more informed of, and therefore engaged with, the work of the committee.

5. Audit Committee annual work plan

- 5.1 In respect of the Audit Committee's work plan, Members' feedback was:
- Wanted a clear timetable and agenda for the Committee in advance, and possibly re-issued throughout the year as changes or new items occurred;
 - Wanted the timetable and agenda to identify whether the agenda items were statutory/best practice/ad hoc;
 - Consider structuring the agenda to match the nature of the items (statutory/ best practice/ ad hoc);
 - Consider using more informal meetings (as suggested by the Toolkit), or working groups in between the formal Audit Committee meetings if ad hoc pieces of work were identified during the course of the year; and
 - Publicise the work of the audit committee in addition to the annual report to full council.
- 5.2 In response to the feedback, a draft annual work plan for 2008/09 is provided for information at Appendix A. This includes details of all regular progress and other reports which are currently known. The work plan will be revised and re-issued if and when further pieces of work or ad hoc reports are required.
- 5.3 Members are asked to review the work plan and recommend any further reports and/or pieces of work which they consider appropriate.

Audit Committee – 2008/09 Draft Timetable and Agenda

Date of Committee Meeting	Internal Audit agenda item	Other service agenda item	Statutory S)/ Best Practice (BP)/ Ad hoc (AH)
24 June 2008	Annual Internal Audit Report and Head of Audit Opinion		BP
	Audit Committee – revised Terms of Reference		BP
	Audit Committee – draft annual work plan		BP
	Internal audit – revised reporting template		AH
22 July 2008	Internal audit - 1 st quarter progress report		BP
	Risk Management – update		BP
	Anti-fraud and corruption strategy – revised corporate strategy and whistle-blowing policy		AH
	Corporate Anti-money Laundering policy – revised policy and procedures		AH
	Audit Committee – Report to Full Council on the work of the committee in 2007/08		BP
		External Audit – progress report	BP
		Housing Benefits – 1 st quarter progress report on counter fraud activity	BP
28 October 2008	Internal audit - 2 nd quarter progress report		BP
	Risk Management – update		BP
	Risk Management – update and review of corporate risk register		BP
		External Audit – progress report	BP
		Housing Benefits – 3 rd quarter progress report on counter	

Audit Committee – 2008/09 Draft Timetable and Agenda

Date of Committee Meeting	Internal Audit agenda item	Other service agenda item	Statutory S)/ Best Practice (BP)/ Ad hoc (AH)
		fraud activity	BP
3 February 2009	Internal audit - 3 rd quarter progress report		BP
	Risk Management – update		BP
		External Audit – Use of Resources auditor judgements	S
		Chief Financial Officer – Use of Resources action plan	BP
		Housing Benefits – 3 rd quarter progress report on counter fraud activity	BP
23 April 2009	Internal audit - 4 th quarter progress report		BP
	Annual Internal Audit Plan and internal audit strategy		BP
	Draft Annual Governance Statement and supporting evidence		S
	Risk Management – update and review of corporate risk register		BP
	Internal audit - Annual review of effectiveness (peer review)		BP
		External Audit – Annual audit & inspection letter	S
		External Audit – progress report	BP
		Housing Benefits – 4 th quarter progress report on counter fraud activity	BP



Haringey Council

Agenda item:

[No.]**Audit Committee****On 24 June 2008**Report Title: **Internal Audit Progress Report – proposed format for 2008/09**Forward Plan reference number (if applicable): **N/A**Report of: **Head of Audit and Risk Management**Wards(s) affected: **All**Report for: **Non-key decision****1. Purpose**

1.1 To propose a revised reporting format for the quarterly internal audit progress reports.

2. Recommendations

2.1 That the Audit Committee reviews the proposals and approves the reporting format and processes, to be adopted from July 2008 and for the 2008/09 cycle of meetings.

Report Authorised by: **Chief Financial Officer**

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

Tel: 020 8489 5973**Email:** anne.woods@haringey.gov.uk**3. Local Government (Access to Information) Act 1985**

3.1 List of background documents:

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

- Review of Effectiveness report to Audit Committee 29 October 2007
- Audit Committee minutes 29 October 2007.

4. Background

- 4.1 At the Audit Committee in October 2007, a report provided details of the how the committee would respond to the recommendations in the IPF Toolkit and the Audit Commission's Use of Resources report, which highlighted the need to review Haringey's audit committee and its effectiveness.
- 4.2 Although the IPF Toolkit is not mandatory, the issues and actions contained within it are considered to represent best practice. The majority of issues are already completed by Haringey and its Audit Committee and therefore the council can be seen to be complying with best practice in many areas. However, feedback and input from Members was used as part of the review in order to provide a framework for the future development and increased effectiveness of the Audit Committee.
- 4.3 Members wanted to ensure that the Audit Committee was a useful tool for the council and that this opportunity to improve effectiveness was used to enable members to become more engaged with the work of the committee.
- 4.4 One of the issues was raised was the quarterly reporting format, and the level of detail currently provided. Members considered that more regular information throughout the year, on a monthly basis, would allow the Audit Committee to focus on the key risks and issues facing the council during the formal Committee meeting.
- 4.5 As a result of the feedback it was agreed that, for 2008/09, a revised reporting process and format would be introduced. Taking account of Members' feedback, the proposed format for 2008/09 is attached at Appendix A.

5. Proposed reporting template

- 5.1 This proposed format applies to the work completed by Deloitte and Touche which supports the overall Head of Audit opinion and the s151 officer's assurance processes. It is proposed that the existing summaries and formats of the in-house investigations and overall HR disciplinary statistics remain the same. The Head of Audit and Risk Management will continue to provide a covering report for the quarterly summaries.
- 5.2 The main points to note in respect of the proposed quarterly report are:
- An overall summary of completed reports, providing details of the date when the audit was undertaken; the date of the final report; the assurance level; the direction of travel (providing a comparison against previous years); the number of recommendations made in each of the priority areas; and any further comments;
 - Where 'limited' or 'no' audit assurance level is indicated, a more detailed summary is included, based on the existing summary report;
 - An overall summary of work completed as part of the work on the Financial Management Standard in Schools (FMSiS);
 - An overall report on the outcome of audit follow up work, based on the existing reporting format; and

- A more detailed summary of progress in management's implementation of the Priority 1 recommendations made.
- 4.6 It is proposed that Members will receive summaries of completed audits on a monthly basis. The existing summary report format will be used (as included in the proposed report format), but details of all completed reports will be issued.
- 4.7 If Members have any questions in relation to the monthly summaries, or wish to receive copies of the full report of any audits included in the summary, these should be directed to the Head of Audit and Risk Management.
- 4.8 If, as a result of receiving the monthly report summary, Members wish to call individual Directors to the Audit Committee meeting to discuss the content of any individual report, or progress on any follow up actions, this should be discussed and agreed with the Chair of the Audit Committee.
- 4.9 The reporting format will be reviewed on a regular basis, or in response to any changes to the CIPFA Code of Audit Practice, or other statutory or local requirements, and presented to the Audit Committee for formal approval.

**Internal Audit
Quarter 1 Internal Audit Report
2008/2009
London Borough of Haringey**

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Executive Summary

Introduction

This is our first quarter report to the Audit Committee for the 2008/09 financial year including details of all reports which are now at final stage. The report provides information on those areas which have achieved full or substantial assurance and gives an indication of the direction of travel for key systems work which will provide Members with information on how risks are being managed over time. The format of this report is also designed to highlight the key risks facing individual departments and the council which have been identified during the course of internal audit reviews. A more detailed summary of the limited assurance audit findings is included for information. The report draws together the summary information which is provided on a monthly basis to Members of the Audit Committee. Members of the Committee will also be provided with full copies of our audit reports upon request.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports.

The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Audit Committee. The audits highlighted in **bold** are those not previously reported to the Audit Committee.

As a reminder, our recommendations are prioritised according to the following categories:

- Priority 1* - major issues for the attention of senior management
- Priority 2* - other recommendations for local management action
- Priority 3* - minor matters and/or best practice recommendations

Key Highlights/ Summary of Quarter 1 2008/09:

-
-
-

Detailed summaries

Audit area	Scope	Status/key findings	Assurance
DIRECTORATE			
Audit Title	Details of the scope of the audit	Overall audit opinion. Summary of key findings, including areas where controls were found to be operating satisfactorily and key risk areas identified. Detailed Priority 1 Recommendations made.	Limited/No Assurance

FMSiS Assessments and Summary:

Our work during 2008/09 will involve on checking compliance with the requirements of the Financial Management Standard in Schools (FMSiS).

All Primary, Infants, Junior and Special Schools are to be assessed as to whether they meet the requirements of the standard by 31st March 2010. To achieve this it is planned that these schools will be assessed over the three years as follows:

- 40% of schools by the 31st March 2008;
- 40% of schools by the 31st March 2009; and
- 20% of schools by the 31st March 2010.

Our schedule of visits to Primary Schools in 2008/09 covers 29 schools (43%). Of these, X schools have already been visited and X schools have been assessed as meeting the standard. X schools have been assessed as not meeting the standard, although in accordance with FMSiS guidance, further time is being allowed to enable schools to provide the required evidence which would ensure that they achieve the standard. We are liaising with relevant Secondary and Primary Schools that have not yet met the Standard to ensure that key recommendations are implemented as soon as possible.

The table below sets out the Primary Schools visited in Quarter 1 and the current status with regards to compliance with the Standard (which is reported as either pass or fail):

Primary School	Date of Assessment	Date of Final Report	Outcome (Pass/Fail)	Comments

Follow-up 2006/07 and 2007/08:

Follow Up 2006/07

AUDIT AREA	Assurance Level	Recommendations											Comments				
		Category				Implemented				N/A	Not Imp.	In Progress					
		1	2	3	Total	1	2	3	Total								
Chief Executives.																	
Contract and Document Management	Substantial	1	4	1	6	0	1	0	1	0	1	0	1	4			
Programme Budget & Budget Control Reporting Independent Challenge	Substantial	1	6	0	7	0	4	0	4	3	0	0	0				
Equalities	Substantial	0	6	0	6	0	1	0	1	1	1	1	3				
Finance																	
Debtors	Substantial	1	5	0	6	0	1	0	1	0	4	1	1				
Cash Receipting	Substantial	0	5	0	5	0	4	0	4	0	1	0					
Creditors	Substantial	0	4	1	5	0	3	1	4		1	0					
Treasury Management	Substantial	0	3	0	3	0	2	0	2	0	1	0					
Strategic FM & Budgetary Control	Substantial	0	1	2	3	0	1	1	2	0	0	1					
Payroll & Expenses	Limited	0	9	2	11	0	4	1	5	0	6	0					
Council Tax	Substantial	0	1	1	2	0	1	1	2	0	0	0					
Social Services																	
Haringey Integrated Community Equipment Services (HICES)	Limited	4	9	1	14	2	2	0	4	2	5	3					
Temporary Housing Repairs	Substantial	2	5	0	7	0	1	0	1	1	3	2					
Housing Association Leasing Scheme	Limited	6	3	1	10	0	2	1	3	0	0	7					
Environment																	
Waste Management	Limited	7	7	0	14	5	3	0	8	0	4	2					

AUDIT AREA	Assurance Level	Recommendations											Comments	
		Category				Implemented				N/A	Not Imp.	In Progress		
		1	2	3	Total	1	2	3	Total					
Health and Safety-Environmental Services	Limited	3	3	0	6	0	0	0	0	0	0	1	5	
Parking Control and Enforcement	Substantial	1	4	0	5	0	3	0	3	0	0	0	2	
Children's Services														
Sure Start: Early Years	Substantial	2	4	2	8	0	1	0	1	2	4	1		
Financial Monitoring of Schools	Substantial	0	3	1	4	0	2	0	2	1	0	1		
Building Schools for the Future -- Project Management	Substantial	0	3	1	4	0	2	0	2	1	0	1		
IT Audits														
Email Usage	Substantial	0	3	1	4	0	2	0	2	0	2	0		
Request work														
New Deal for Communities	N/A	6	5	0	11	5	4	0	9	0	0	2		
Total		34	93	14	141	12	44	5	61	11	34	35		

Implemented – officers has indicated through self-certification the progress of recommendations. We have verified a sample of responses.

N/A – the recommendation is no longer applicable due to changes in the system, or alternative action has been taken to address the risk.

Not implemented – the recommendation has not been addressed, alternative action has not been taken.

Partly implemented – officers have started implementation of recommendations

Detailed Progress Report - Implementation of Priority 1 Recommendations

Audit Area	Number of Priority 1 Recommendations	Original Implementation Deadline	Progress/Status	Comments/Update
Report Title				

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. 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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Deloitte & Touche Public Sector Internal Audit Limited

London

July 2008

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