

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 22 JULY 2008**

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

Apologies Councillor Gorrie

Also Present: Councillor Adje, Cabinet Member for Resources

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRAC32.	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Cllr Gorrie, for whom Cllr Aitken was substituting.</p>	
PRAC33.	<p>URGENT BUSINESS</p> <p>The Chair agreed to the submission of the late report Accounting Policies and Account 2007/08, under agenda item 6.</p> <p>NOTED</p>	
PRAC34.	<p>DECLARATIONS OF INTEREST</p> <p>Cllr Khan declared a personal interest as a member of the Pension Fund, the accounts for which were covered in the report for agenda item 6.</p>	
PRAC35.	<p>MINUTES</p> <p>RESOLVED</p> <p>That the minutes of the meeting of the Audit Committee held on 24 June 2008 be agreed and signed by the Chair as an accurate record of the proceedings.</p>	
PRAC36.	<p>DEPUTATIONS AND PETITIONS</p> <p>There were no deputations or petitions.</p>	
PRAC37.	<p>ACCOUNTING POLICIES AND ACCOUNTS 07/08</p> <p>The Head of Finance – Accounting and Control, Graham Oliver, presented this report on the Accounting Policies and Accounts 2007/08. The Statement of Accounts had been approved by the General Purposes Committee on 26 June 2008, prior to external audit, and it was the role of the Audit Committee to review the Statement of Accounts and the associated accounting policies.</p>	

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Mr Oliver reported that the only change to the existing accounting policies related to Financial Instruments and the way in which these were presented in the accounts. Details of this change were set out in the report. It was reported that external audit of the Statement of Accounts and the accounting policies was in progress by Grant Thornton.

The Chair asked for any questions and comments from the Committee.

The Committee asked for further information regarding non service revenue. Mr Oliver and the Chief Financial Officer reported that non service revenue referred to costs that were not applicable to any particular directorate, including accounting adjustments, transfers in and out of reserves and interest from investments. As such, there tended to be scope for greater variation in this area. It was reported that the Chief Financial Officer was the responsible officer for non service revenue, and the Chief Financial Officer confirmed that there was a robust monitoring system in place for non service revenue, which was monitored closely via the same process used for other budgets.

In response to a query from the Committee, the Chief Financial Officer reported that the accounting entries that had been incorrectly shown in relation to the comparator figures in 2006/07 and restated for 2007/08 were not considered a significant concern and had no effect on the overall bottom line. In relation to the School PFI Contract, it was noted that the £73.175 million liability on the balance sheet took into account the ongoing costs of facilities management.

In response to a request for clarification from the Chair, Mr Oliver reported that soft loans were loans made by the Council at a preferential rate compared with the market rate. Mr Oliver also reported that details of the Trust Funds, mainly small educational trusts handled by CYPS, would be circulated to Audit Committee members outside the meeting.

In response to questions from the Chair, Mr Oliver confirmed that the Lease and PFI arrangements, Fixed Assets, Depreciation and Group Accounts had been accounted for in line with the Statement of Recommended Practice (SORP) for 2007. It was clarified that Fixed Assets leased by the Council were included on the Council's balance sheet as assets, despite not being owned by the Council, as the liability for those assets lay with the Council. Mr Oliver reported that the Valuation of Stock was not accounted for in line with SORP 2007, as it would not be cost effective to do so. The external auditors confirmed that this was acceptable as it had no material effect on the balance sheet, but recommended that the Council disclose that this area was not compliant with SORP.

In summation, the Chair noted that it seemed that the accounting policies and accounts 07/08 had been compiled in accordance with all relevant professional standards and guidelines, pending the outcome of the external audit. In response to queries from the Chair, the Chief Financial Officer conclusively confirmed that he was satisfied that there

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	<p>was an appropriate structure in place to ensure that the affairs of the Council were properly managed, scrutinised and accounted for, that the appropriate accounting codes of practice, regulations and guidance had been followed and that the accounting control systems were observed and records maintained appropriately.</p> <p>The Chair moved and it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i) That the Statement of Accounts 2007/08 and the associated accounting policies be agreed as advised by the Chief Financial Officer, pending the outcome of the external audit.ii) That details of the Trust Funds be circulated to Audit Committee members.	
<p>PRAC38.</p>	<p>UPDATE ON KEY AUDIT ISSUES</p> <p>The representative from Grant Thornton introduced this report, which detailed the key risks that the work of the external auditor would focus on and followed on from the Audit Plan that had been agreed by the Committee in July 2007 and updated in January 2008.</p> <p>The Chair asked if there were questions from the Committee.</p> <p>Grant Thornton reported that specific questions regarding the accounts of the Alexandra Park and Palace Trust should be directed to the auditors for the Trust, and that Grant Thornton would be looking at whether these accounts were properly presented. The Chair requested the assistance of Grant Thornton, as the designated auditor for the council, in looking at the conclusions made by the Trust's auditors following the audit of the Trust's accounts, in order to ensure the interests of the council and tax-payers. The Chair noted that at times there was some confusion regarding the relative responsibilities of the Council and the Alexandra Park and Palace Trust, and asked that the external auditors assist in resolving any outstanding issues and ensuring that the interests of all stakeholders were safeguarded.</p> <p>In response to a question from the Chair regarding the implications of a UK GAAP compliant revaluation reserve, Grant Thornton reported that they would be checking that the Council held sufficient records for each asset to ensure that these could be monitored appropriately as part of the revaluation process. In relation to the PFI contract, the Committee asked what the implications were of having the assets on the Council's balance sheet. Grant Thornton responded that this would have an impact on the liability and that having the assets on the balance sheet would increase accountability. It was reported that this change would have no significant impact on taxpayers. Grant Thornton reported that</p>	

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	<p>there were a small number of minor leases off the balance sheet, but that there were no significant assets and liabilities currently not on the balance sheet.</p> <p>The Chair thanked Grant Thornton for their report. On a movement from the Chair it was:</p> <p>RESOLVED</p> <p>That the content of the report of Grant Thornton be noted, along with the comments of the Committee above.</p>	
<p>PRAC39.</p>	<p>PROGRESS REPORT ON COUNTER FRAUD ACTIVITY RELATING TO HOUSING BENEFIT AND COUNCIL TAX BENEFIT</p> <p>This report was introduced by the Deputy Head of Benefits and Local Taxation, Tim Fisher. Mr Fisher reported that the Benefits and Local Taxation Service had an annual target of 126 sanctions for 2008/09, and the report provided details of performance for the first quarter of 2008/09. It was reported that the Fraud Investigation Team had achieved 124 sanctions against a target of 126 in 2007/08.</p> <p>The Committee asked if there were figures for cases that were investigated but where no action was taken, and whether the Fraud Investigation Team were aware of any instances of malicious referrals. Mr Fisher reported that separate figures were available for investigations that did not lead to any sanction, and that this could be provided to any interested members. It was reported that malicious referrals would generally be identified as part of the risk analysis process and should not then proceed further. There was a possibility that some malicious referrals could be investigated further, but it was expected that these would be identified as such during enquiries.</p> <p>In response to a request from the Committee, Mr Fisher reported that there was no data available on benefits underpayments, but that the Council was working to increase benefit take-up and to raise awareness of entitlements across the borough. The Committee asked if Mr Fisher was aware of reported time-lags between residents providing information regarding new claims and changes of circumstance and this information being acted on by officers. Mr Fisher reported that he was unaware of significant delays, and added that the time taken to process new claims was currently 33 days, against a target of 32 days and that it was taking just under 10 days to process changes of circumstances, against a target of 13 days. In situations where a delay in processing information led to a resident being overpaid, Mr Fisher reported that any overpayment would be accounted for as Local Authority error, and that the Council would not seek to recover the amount paid in error. The Committee suggested that many residents may not be aware of this, and that it would be useful for this information to be disseminated more widely. Cllr Adje, Cabinet Member for Resources, informed the Committee that there were a number of initiatives in progress aimed at</p>	

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	<p>increasing benefit take-up, and suggested that this strategy be circulated to Audit Committee members for information outside the meeting.</p> <p>In response to a request for clarification from the Committee, Mr Fisher confirmed that if performance for recovery of overpayments were to improve sufficiently, combined with the subsidy, the recovery rate could exceed 100%.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i) That the report and work being carried out by the Benefits and Local Taxation Service in relation to Counter Fraud activity be noted.ii) That information on the Council's strategy to increase benefits take-up be circulated to Committee Members outside the meeting.	
<p>PRAC40.</p>	<p>ANTI-FRAUD AND CORRUPTION STRATEGY RELATING TO HOUSING BENEFIT AND COUNCIL TAX BENEFIT FRAUD</p> <p>The Deputy Head of Benefits and Local Taxation, Tim Fisher, introduced the report on the Anti-Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit Fraud. This strategy would contribute to the corporate Anti-Fraud and Corruption Strategy and had been developed following a specific recommendation by the Benefits Fraud Inspectorate. It was reported that the requirement for local authorities to maintain a counter fraud and prosecution strategy formed part of KLOE 2.7 under the Comprehensive Area Assessment.</p> <p>The Committee was asked to approve the strategy, following the Committee's recommendation at its meeting on 12 May that further consultation with members was required before the strategy could be implemented. The strategy had since been endorsed at CAB on 10 July 2008.</p> <p>Emphasising the importance of the strategy, Cllr Adje, Cabinet Member for Resources, commended the adoption of the strategy to Audit Committee members.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the Anti-Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit be approved.</p>	

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PRAC41.	<p>ANTI-FRAUD AND CORRUPTION STRATEGY</p> <p>The Head of Audit and Risk Management, Anne Woods, advised the Committee of the revised Corporate Anti-Fraud and Corruption Strategy, Fraud Response Plan and Whistle-blowing policy. The revised strategy incorporated some minor amendments to ensure that the information was as up to date as possible but the content of the document remained largely unchanged. It was proposed that the Corporate Anti-Fraud and Corruption Strategy and the Anti-Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit Fraud be linked to one another on the Council's website.</p> <p>The Chair welcomed this report and reported that the importance of Whistleblowing and Anti-Corruption policies had been emphasised at a recent conference he had attended.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i) That the revised Corporate Anti-Fraud and Corruption Strategy, Fraud Response Plan and Whistle-blowing Policy be approved.ii) That the publication of the revised documents on the Council's website and intranet site be approved.	
PRAC42.	<p>MONEY LAUNDERING REGULATIONS 2007</p> <p>The Head of Audit and Risk Management, Anne Woods, presented this report on the impact on the Council of the new Money Laundering Regulations 2007 that came into effect on 15 December 2007. Ms Woods reported that the Council had an existing Anti-Money Laundering policy in place, for which the Head of Audit and Risk Management was Reporting Officer. It was reported that the existing policy had been redrafted to include a section on due diligence in response to the new regulations, but that the nature of the Council's business meant that this would not be relevant to the majority of the Council's transactions. The revised policy was appended to the report.</p> <p>Although most of the business transacted by the Council would not be affected by the regulations, Ms Woods reported that it was good practice to have the appropriate processes in place and that information on these would be disseminated to relevant officers. In response to a question from the Chair, Ms Woods reported the most common way in which money laundering took place was for illegally gained money to be overpaid to a legitimate company so that, when the overpayment was repaid, the money could be accounted for as from a legitimate source.</p>	

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	<p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the implications of the new Money Laundering Regulations 2007 be noted. ii) That the resultant revised Proceeds of Crime and Anti-Money Laundering policy and procedures be agreed. 	
<p>PRAC43.</p>	<p>INTERNAL AUDIT - 1ST QUARTER PROGRESS REPORT</p> <p>The Head of Audit and Risk Management, Anne Woods, introduced this report, which was the first internal audit progress report in the new format agreed by the Committee in June 2008. In response to feedback from Committee members that they would prefer more detailed information on a more regular basis, summaries of all finalised internal audit reports were now circulated to members monthly, with reports where assurance was limited being brought to quarterly Committee meetings for consideration. By providing information on a more regular basis, members would have more time to raise any issues and ask questions about specific areas of the summarised reports in advance of the Committee meeting. Information on risk management and progress on implementing the Council's updated risk management strategy would be reported quarterly.</p> <p>Referring to the summary of the Parking Control and Enforcement audit report, Committee members asked when the Committee would have the opportunity to see what actions had been taken further to this report. It was reported that follow up to this report would be presented to the Committee in the next financial year, unless members requested an earlier report. Committee members confirmed that they would like to see a report on the follow up to this audit sooner.</p> <p>The Chief Financial Officer confirmed that the Chief Executive and Chief Financial Officer were reviewing progress against outstanding Priority 1 recommendations on a monthly basis. The Committee asked how priority 2 and 3 recommendations were followed up, and Ms Woods reported that all recommendations would be followed up as part of the audit programme for the financial year following the year in which the report was completed. Details of the implementation of these was reported to the Committee as part of the quarterly progress report.</p> <p>The Chair expressed the opinion that the summary of finalised audit reports should include all recommendations made and not just the priority 1 recommendations, in order for Committee members to have a more complete picture. The Chair also asked that the wording of the recommendation 2.3 be changed in future to include all the audit recommendations so that the Committee could consider whether further action was necessary to address all outstanding recommendations, not just priority 1.</p>	

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	<p>On a motion by the Chair, it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the audit coverage and progress during the first quarter 2008/09 and reports outstanding from 2007/08 be noted, with direction to the officers to include the progress of all recommendations in the report. ii) That the progress and responses received in respect of outstanding audit recommendations be noted. iii) That a follow up report on the audit of Parking Control and Enforcement be presented to the Committee within the financial year 2008/09. 	
<p>PRAC44.</p>	<p>REPORT ON THE WORK OF THE AUDIT COMMITTEE 2007/08</p> <p>The Head of Audit and Risk Management, Anne Woods, presented this report, which was primarily based on minutes and resolutions from Audit Committee meetings held during 2007/08, with the information presented using the same headings as the Committee's Terms of Reference.</p> <p>The Chair suggested that the reference to the 'Statement of Internal Control' in the summary be replaced by the 'Annual Governance Statement', and also suggested that the first bullet point under the heading 'Corporate Governance and regulatory framework' be amended to read:</p> <ul style="list-style-type: none"> • In performing their role in this area, the Audit Committee considers at its Committee meetings the written confirmation of the actions taken by the Council's managers, who are responsible for ensuring adequate systems of control and assurance are in place, and receives information during the course of the year in order to discharge their responsibilities. <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That, subject to the relevant wording being amended as above, the draft report on the work of the Committee during 2007/08 be approved. ii) That the final version of the report be presented to the next available Full Council meeting for information. 	
<p>PRAC45.</p>	<p>REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000</p> <p>The Head of Audit and Risk Management, Anne Woods, presented this</p>	

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report to advise the Committee of the Regulation of Investigatory Powers Act (RIPA) 2000 and its operation in practice within Haringey. Further to the LGA Chairman's recent letter to all councils in England stating that RIPA should not be used for trivial matters, it was considered appropriate that the Committee be provided with details of the operation of RIPA at Haringey and be provided with assurance that the Council's procedures were compliant with the legislation and with LGA guidance.

Ms Woods reported that RIPA was used very infrequently within Haringey, mainly in the area of Anti-Social Behaviour. Four inspections of the Council's use of RIPA had been carried out, and no instances had been found to be inappropriate. The Head of Audit and Risk Management was the monitoring officer for RIPA within Haringey, and every application for use of RIPA required authorisation from a named officer who had received the appropriate training in the use and application of RIPA. Although elected members might consider the Council's general approach to using RIPA, it was confirmed that there was no member involvement in the process by which individual applications were made and approved. A register of high-level information relating to every application was maintained and hard copies of documents relating to applications were retained for a period of three years.

In response to a question from the Committee as to whether she felt that RIPA had been used excessively or inappropriately at Haringey, Ms Woods responded that she did not feel that this was the case. Ms Woods reported that the most recent inspection of the Council's use of RIPA had determined that the Council was using it so infrequently that less frequent inspection was required. Because other means of obtaining relevant information were available to the Council, it was rarely necessary to have recourse to the use of RIPA.

Cllr Bull reported that it had been brought to the attention of the Overview and Scrutiny Committee that there had been a substantial delay in responding to a Freedom of Information request relating to details of the Council's use of RIPA, and asked why this was. Ms Woods responded that the request had been for details of every application made over a number of years and that it had simply taken a long time to compile the volume of information requested. Ms Woods would discuss the presentation of the Council's arrangements for the use of RIPA to the Overview and Scrutiny Committee with Cllr Bull, Chair of the Overview and Scrutiny Committee, outside the meeting.

The Committee asked whether the Council was at risk from legal action taken by individuals learning that they have been the subject of RIPA investigation, and whether there was information on the Council's use of RIPA to monitor individuals under 18 years of age. Ms Woods responded that there was a rigorous process for applying to use RIPA, which required the applicant to specify their reasons and the manner and circumstances in which this was to be carried out. Any approved request would be strictly time-limited. Only named officers who had been specifically trained were able to approve applications, and they were

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	<p>required to submit detailed comments and reasons for which the application was being granted in every instance. As it was often the case that the identities and ages of those being monitored were unknown, as investigations usually focussed on specific locations rather than individuals, it was not possible to provide data on the ages of those who had been the subject of RIPA applications.</p> <p>The Committee asked how many applications for the use of RIPA had been refused. Ms Woods confirmed that no applications had been refused. Both Mr Fisher and Ms Woods confirmed that, in cases where the use of surveillance was one option being considered by officers, they would discuss the information required by the officers and consider whether it could be obtained by other means which may be more cost effective and less intrusive. This approach meant that RIPA was used by the Council only in the most appropriate cases.</p> <p>The Chair welcomed this opportunity for members to discuss this issue, and the Committee thanked Ms Woods for the useful information that had been provided.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the content of the report be noted. ii) That the Head of Audit and Risk Management and the Chair of the Overview and Scrutiny Committee further discuss arrangements for the consideration of RIPA by the Overview and Scrutiny Committee. 	
<p>PRAC46.</p>	<p>NEW ITEMS OF URGENT BUSINESS</p> <p>There were no new items of urgent business.</p>	
<p>PRAC47.</p>	<p>DATE OF NEXT MEETING</p> <p>The next scheduled meeting of the Audit Committee would take place on Tuesday 28 October 2008 at 19:30 hrs at the Civic Centre, Wood Green, London, N22.</p> <p>The meeting concluded at 21:15hrs.</p>	

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Chair