



NOTICE OF MEETING

Audit Committee

TUESDAY, 2ND JUNE, 2009 at 19:30 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, N22 8LE.

MEMBERS: Councillors Rahman Khan (Chair), Diakides, Gorrie, Mallett (Vice-Chair), Mughal, Meehan and Butcher

AGENDA

1. APOLOGIES

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 become 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, licence, 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 - 12)

To confirm and sign the minutes of the Audit Committee held on the 23 April 2009.

5. DEPUTATIONS AND PETITIONS

6. GRANT THORNTON - AUDIT PROGRESS REPORT (PAGES 13 - 14)

Report of Grant Thornton.

7. DRAFT ANNUAL GOVERNANCE STATEMENT 2008/09 (PAGES 15 - 56)

Report of the Head of Audit and Risk Management to:

- i) Inform the Audit Committee of the requirements of the statutory Annual Governance Statement (AGS) and provide a draft statement relating to 2008/09 for review and approval
- ii) Inform the Audit Committee of the supporting information used to produce the draft AGS and provide a copy of the management assurance and self assessment statement, which will be completed and submitted by Directors and ACEs, for information.

8. THE REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT (PAGES 57 - 70)

Report of the Head of Audit and Risk Management to inform Members of the requirements of the Accounts and Audit (amendment) (England) Regulations 2006 and the action taken to address these.

9. INTERNAL AUDIT SERVICE - TERMS OF REFERENCE (PAGES 71 - 78)

Report of the Head of Audit and Risk Management to advise Members of the changes to the Terms of Reference for the Internal Audit Service and provide an updated terms of reference for approval.

10. ANNUAL AUDIT REPORT AND ASSURANCE STATEMENT 2008/09 (PAGES 79 - 90)

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 2008/09 and present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other bodies. The report also fulfils the requirements of the Audit Committee terms of reference.

11. AUDIT COMMITTEE DRAFT WORK PLAN 2009/10 (PAGES 91 - 96)

Report of the Head of Audit and Risk Management to inform Members of the Committee's proposed annual work plan for the 2009/10 municipal year.

12. NEW ITEMS OF URGENT BUSINESS

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

13. DATE OF NEXT MEETING

Thursday, 30 July 2009 at 19:30hrs.

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Friday, 22 May 2009

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MINUTES OF THE AUDIT COMMITTEE
THURSDAY, 23 APRIL 2009

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

Apologies Councillors Bull and Mughal

Also Present: Councillor Adje (item PRAC82)

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRAC75.	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Cllr Bull and Cllr Mughal.</p>	
PRAC76.	<p>URGENT BUSINESS</p> <p>There were no new items of urgent business. The Chair agreed to the admission of the late report "Progress Report on Counter Fraud Activity Relating to Housing Benefit and Council Tax Benefit".</p> <p>NOTED</p>	
PRAC77.	<p>DECLARATIONS OF INTEREST</p> <p>There were no declarations of interest.</p>	
PRAC78.	<p>MINUTES</p> <p>RESOLVED</p> <p>That the minutes of the Audit Committee held on 3 February 2009 be approved and signed by the Chair, subject to the following minor amendment:</p> <p>i) That the wording "the role of the Sector" in the third paragraph on page 2 be amended to read "the role of Sector".</p>	
PRAC79.	<p>DEPUTATIONS AND PETITIONS</p> <p>There were no deputations or petitions.</p>	
PRAC80.	<p>ACCOUNTING POLICIES AND ACCOUNTS 2008/09</p> <p>Graham Oliver, Head of Finance – Accounting, Control and Income, presented the report on the accounting policies being used for the closure of the Council's accounts for 2008/09. Mr Oliver reported that there were no significant changes to the accounting policies from the previous year.</p>	

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In response to a question from the Committee, Mr Oliver reported that the service element of the PFI contract had been suspended, but that the debt element was still in place. In response to a question regarding the way in which changes to the EUV were reflected, Mr Oliver reported that in the event of an increase in the valuation there was a valuation reserve and that, in the event of a decrease, any balance in the reserve was removed, with any further decrease reflected in the income and expenditure accounts and managed in the General Fund balance to ensure that Council Tax was not affected as a result. Mr Oliver agreed to provide the Committee with information on how the Existing Use Valuation (EUV) for council housing related to the market outside the meeting, and also information on what was classified as 'infrastructure' for the purposes of depreciation.

The Committee asked whether it had been decided that Alexandra Palace and Park should not form part of the group accounts for 2008/09. Mr Oliver confirmed that in preparation for the closure of the 2008/09 accounts this decision had been taken by officers, subject to review by the Council's external auditors. In response to questions from the Committee about why Alexandra Palace and Park did not form part of the group accounts, given that it was incorporated into the Council's Corporate Risk Register, the Chief Financial Officer reported that Alexandra Palace and Park was reflected in the Council's risk register in respect of the deficit relating to the Council's funding of the operations of the Trust, but that the Trust had its own risk register and governance controls in place. The Chief Financial Officer reported that the position relating to the Trust was reviewed on a yearly basis. Cllr Gorrie expressed concern that in approving the accounting policies, it was being asked to accept the view that Alexandra Palace and Park was a separate body, however the Chair stated that the policies, which were backed by legal opinion and the external auditors, reflected convention and practice and related to the items appearing within the statement.

In response to a question from the Committee on capital receipts, Mr Oliver confirmed that, in respect of capital receipts, 50% was set aside in accordance with policy and any further decision was made following the grant returns. In relation to the cost of support services mentioned in the report, Mr Oliver would circulate further information on the variety of bases on which the cost allocation had been made to the Committee outside the meeting. Mr Oliver would also circulate to the Committee the changes made to the accounting policies since the previous year, which were mainly grammatical amendments.

The Chair thanked officers for the report, which enabled an understanding of the various elements of the accounting policies. The Chair asked the representatives of Grant Thornton, the Council's external auditors, to confirm that they were satisfied with the position of valuation of stock and fixed assets as set out in the report, and also to confirm that it was the case that they had provided assurances that the Council had correctly applied appropriate accounting policies in relation to previous years. Grant Thornton confirmed that they were satisfied with

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	<p>the aspects highlighted by the Chair, including the valuation of Stock, and also confirmed that they had provided assurances relating the to Council's application of accounting policies in previous years.</p> <p>Taking into account the comments and assurances provided above, and subject to additional information requested by the Committee and the reservation expressed by Cllr Gorrie in respect of the separate status of the Alexandra Palace and Park Trust, on a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the accounting policies to be used in the closure of the Council's accounts for 2008/09, as set out in the report, be approved.</p>	
<p>PRAC81.</p>	<p>IMPLEMENTATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)</p> <p>Graham Oliver, Head of Finance – Accounting, Control and Income, gave a presentation on the introduction of the new International Financial Reporting Standards (IFRS), covering the timescale for transition, the significant changes affecting areas such as PFI, leases, valuation of assets, holiday pay accrual and group accounts, the work Haringey was carrying out in preparation for implementation and the resource requirements.</p> <p>In response to questions from the Committee, Mr Oliver clarified that the holiday pay accruals only related to any days' leave not used during the leave year. Mr Oliver also confirmed that based on the current information available, the only area of the IFRS implementation with a possible effect on revenue would be the holiday pay accruals. The Chief Financial Officer reported that the more complex way in which assets would be valued under the IFRS would have a one-off cost implication, which would be planned for by the Council. The Committee asked why implementation of the IFRS was not mentioned in the current budget plan. The Chief Financial Officer reported that there was ongoing dialogue with the Government regarding the regulations that might be put in place to mitigate any impact on council tax and that ways of managing any one-off costs were being explored, so the implementation was not included in the budget strategy process. In response to a question from the Committee about the application of IFRS to the Alexandra Palace and Park accounting arrangements, it was reported that guidance was awaited from CIPFA on how the IFRS would apply.</p> <p>It was reported that, for the financial year 2009/10, a second set of accounts would be drawn up as though IFRS was fully applicable, in preparation for the first full IFRS compliant accounts in 2010/11. It was confirmed that the IFRS accounts compiled for 2009/10 would not need to be audited, and so would not incur additional costs in this respect.</p> <p>The Chair welcomed the implementation of the IFRS as a bold initiative, which would lead to more transparent accounts and a greater understanding of the financial position of the Council in future. The Chair welcomed the gap analysis to be carried out by Grant Thornton, and</p>	

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	<p>requested that they be proactive in the work undertaken to prepare for the IFRS. The Chair added that adequate resources should be provided to the Chief Financial Officer to comply with the new requirements.</p> <p>Taking into account the comments made during the discussion and the assurances provided by officers, and in anticipation of the forthcoming CIPFA guidance, on a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the content of the report and the accompanying presentation, and the actions being taken to implement the new IFRS requirements be noted.</p>	
<p>PRAC82.</p>	<p>AUDIT COMMITTEE UPDATE FROM GRANT THORNTON</p> <p>Grant Thornton presented an audit progress report. Members were advised that there were no significant issues to report to the Committee arising from the interim accounts audit, and that during 2009/10 Grant Thornton would be monitoring the Council's response to the Audit Commission's recommendations on treasury management, as well as the internal recommendations and the recommendations arising from the PWC report on treasury management.</p> <p>In response to a question from the Committee, it was confirmed that the Audit Commission's report was publicly available, and clarified that this report did not relate specifically to Haringey. The Chief Financial Officer confirmed that the Council had committed to implement the recommendations of the internal review, the PWC review and the Audit Commission report, and that these recommendations were all included in the Internal Audit report at this meeting.</p> <p>The Cabinet Member for Resources confirmed that that the Council's progress against the recommendations would be monitored and reported to the Committee on an ongoing basis, and added that if any member had concerns regarding specific issues they should raise these to be looked into further by the Council's external auditors or officers. The Cabinet Member for Resources stated that he felt the Council was on-target to implement the recommendations.</p> <p>Taking into account the observations of the Committee, on a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the content of the report be noted.</p>	
<p>PRAC83.</p>	<p>AUDIT AND INSPECTION FEES 2009/10</p> <p>Grant Thornton presented a report on the proposed audit and inspection fees for 2009/10, and advised the Committee of changes to the Audit Commission requirements, as a result of which an indicative fee would</p>	

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be agreed with the Council on a risk basis. A final work plan would be produced following the completion of the Use of Resources assessment and the fee would be reviewed and updated as necessary. It was reported that the proposed fee for 2009/10 was £505k, which was 14% higher than the Audit Commission scale fee, as a result of the increased risks relating to the preparation for the IFRS, data quality, treasury management, managing performance through partnerships and workforce management work.

Referring to risk-based auditing, the Chair expressed his expectation that the audit work undertaken would enable the prevention of any potentially damaging issues for the Council, by ensuring that appropriate systems and controls were in place.

The Chief Financial Officer advised the Committee that a separate audit of the Pension Fund accounts would now be carried out. The Chief Financial Officer recommended that the fees as outlined be approved, and advised that when a final fee was confirmed, including the Pension Fund, this would be reported back to the Committee.

In response to a question from the Committee in relation to the additional pieces of work, Grant Thornton confirmed that the one-off pieces of work planned for the current year exceeded the amount of one-off pieces of work undertaken in the previous year. Grant Thornton confirmed that the Audit Commission's scale fee differed from year to year, due to changes in inflation and expenditure.

In response to a question from the Committee regarding whether it was possible to negotiate the fee, the Chief Financial Officer reported that it would be possible to de-commission some of the additional work that had been identified but that, as these had been identified on a risk-based approach, any decision not to proceed with a piece of work would require justification. It was reported that any further disagreements regarding the fee could be referred to the Audit Commission for arbitration. The Chief Financial Officer stated that in the present circumstances he felt that it would be advisable to audit the areas identified via risk-based assessment, and recommended that the proposed fee be approved.

In response to a question from the Committee regarding whether fees would continue to rise year on year, Grant Thornton reported that, depending on the outcome of the work on the accounts, Use of Resources assessment and IFRS planning, fees could return to the scale fee in the following year.

The Chair highlighted the Committee's concern regarding the increase in fee, but felt that the Committee should agree the proposed fee on the basis of the advice provided by the Chief Financial Officer, and the requirements of the Council. The Chair added that it was assumed that all required information would be provided in a timely fashion and to the standard required, and sought assurance from the Chief Financial officers that officers would comply with all necessary requirements. The

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	<p>Chief Financial gave assurance that officers would comply with the requirements of Grant Thornton.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the proposed audit and inspection fees for 2009/10 from Grant Thornton and the Audit Commission be noted and approved.</p>	
<p>PRAC84.</p>	<p>PROGRESS REPORT ON COUNTER FRAUD ACTIVITY RELATING TO HOUSING BENEFIT AND COUNCIL TAX BENEFIT</p> <p>Helen Tsentides, Benefits and Local Taxation, presented the progress report on counter fraud activity relating to housing benefit and council tax benefit. In 2008/09, the overall target for sanctions had successfully been met. Ms Tsentides reported that the fourth quarter of 2008/09 had exceeded the target, with 58 sanctions being issued. During 2008/09, over £1m in overpaid benefits had been identified, £31k had been raised as a result of Administrative Penalties and approximately £419k had been generated in Government subsidy. Proactive work to encourage claimants to notify the Council of changes in circumstance, and participation in the National Fraud Initiative had yielded positive results.</p> <p>In response to a question from the Committee, Ms Tsentides reported that income generated from Administrative Penalties was in addition to the recovery of any overpaid benefits.</p> <p>The Chair noted that it was the Council's legal duty to maintain and further develop an effective approach to counter-benefit fraud activity, and as such to reclaim any overpaid benefits, and expressed satisfaction that the target for the year had been achieved.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the content of the report and the work being carried out by the Benefits and Local Taxation Service in relation to Counter Fraud activity be noted.</p>	
<p>PRAC85.</p>	<p>INTERNAL AUDIT ANNUAL PLAN AND STRATEGY 2009/10</p> <p>Anne Woods, Head of Audit and Risk Management, presented a report on the proposed Annual Internal Audit Plan for 2009/10 and the Internal Audit Strategy. Ms Woods highlighted the proposed development of controlled risk self assessment for managers responsible for key financial systems as an additional assurance mechanism in this area. Key controls would also be tested regularly by both the internal and external auditors.</p> <p>The Committee welcomed the developments in the area of key financial systems, but concern was expressed that the audit of key financial</p>	

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systems would be too thinly spread to adequately identify and challenge areas of concern. Concern was also expressed that there seemed to be no specific focus on Children's Services, Child Protection, Safeguarding Adults, Alexandra Palace, or on areas identified as concerns in audits carried out during 2008/09. Ms Woods responded that the Council worked with the external auditors and CIPFA benchmarking services to assess how many days to allocate for each area, and that the work was planned on a risk-based approach, which was best practice within the resources available.

Ms Woods reported that an audit of the Alexandra Palace and Park Trust and trading company had been carried in 2008/09, and that work on a follow up report to monitor progress against the recommendations of the audit was being undertaken. In response to the request of the Committee that ongoing monitoring of Alexandra Palace and Park be included in the yearly internal audit plan, Ms Woods agreed to develop the scope for a mechanism to ensure that the Alexandra Palace and Park risks were appropriately managed and controlled on an ongoing basis, to be included in the annual audit plan. Ms Wood also reported that Alexandra Palace and Park were in the process of appointing its own internal auditors.

In response to concerns raised by the Committee that issues on the Corporate Risk Register did not seem to be covered by the plan, Ms Woods responded that these were covered in the detailed plans relating to the various audit titles. The Committee suggested that the link between items on the Corporate Risk Register and the Annual Audit Plan be made more explicit.

On behalf of the Committee, the Chair requested that overall Child Protection should form a separate part of the audit plan, not just unaccompanied asylum-seeking children. Ms Woods would consider the way in which the breadth of Child Protection issues could be reflected in the Annual Internal Audit Plan, and would report back to the Committee.

The Committee requested that the monitoring of compliance with the recommendations of all audits conducted on the Council by various external services such as Ofsted, Social Service Audit, Care Quality Commission Inspection Reports, Health care Commission etc be included as a separate item in the Annual Audit Plan, with periodic progress reports to the Audit Committee. Ms Woods agreed that progress reports against all action plans, including those for recommendations from audits carried out by external bodies, would be reported to the Committee on a regular basis.

In response to a question from Cllr Diakides on an issue raised previously relating to the disposal of assets, it was confirmed that an audit had been carried out in this area as a result and the findings reported to the Audit Committee. The audit report would be forwarded to Cllr Diakides outside the meeting.

Taking into account the comments raised during the discussion, and the

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	<p>requests from the Committee for additional pieces of work relating to the ongoing monitoring of Alexandra Palace and Park, general Child Protection and compliance with the recommendations of all audits undertaken on the Council, including those by external bodies, it was:</p> <p>RESOLVED</p> <p>That the Annual Internal Audit Plan and the internal audit strategy for 2009/10 be approved.</p> <p>On behalf of the Committee, the Chair expressed the hope that the work agreed would ensure that any potential risks were identified and addressed at an early stage, in order to protect the best interests of the Council, and to obtain better gradings in future CAA assessments.</p>	
PRAC86.	<p>INTERNAL AUDIT PROGRESS REPORT - 2008/09 QUARTER 4</p> <p>Anne Woods, Head of Audit and Risk Management, presented a report on the work undertaken during the fourth quarter by the Internal Audit Service in completing the annual audit plan, any responsive fraud investigation work and the work of the Council's personnel division in supporting disciplinary action taken across all departments by respective managers.</p> <p>The Chair reported that some of the deadlines for compliance with audit recommendations had been extended in consultation with the Chair, but that officers had been advised by the Chair that no further extensions would be permitted, in order to ensure that there was no negative impact on stakeholders as a result of delayed implementation of recommendations.</p> <p>In response to a question from the Committee, the Chief Financial Officer confirmed that the Committee would receive updates on progress with the implementation of all the recommendations. The Chair confirmed that updates should be received regarding all levels of recommendation, not just priority 1 recommendations, to ensure best practice was being followed. Heads of Service would be required to attend the Audit Committee in the event of any of the deadlines for implementation not being met.</p> <p>RESOLVED</p> <p>That the audit coverage and progress during the fourth quarter 2008/09, and the progress and responses received in respect of outstanding audit recommendations be noted.</p>	
PRAC87.	<p>RISK MANAGEMENT AND CORPORATE RISK REGISTER</p> <p>Anne Woods, Head of Audit and Risk Management, presented a report on the current position on risk management implementation across the Council, the revised risk management strategy for consideration by the Committee and the register of corporate business risks. Ms Woods</p>	

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advised the Committee of the implementation of a new electronic performance management system (Covalent), which would enable the electronic management of all risk registers, and would result in a new format for the corporate risk register when it was next reported to the Committee. Ms Woods reported that the corporate risk register was monitored by the Chief Executive's Management Board on a regular basis.

In response to a question from the Committee regarding the meaning of a risk classified as red, Ms Woods reported that either the likelihood or impact of the risk was high, or both. In response to a question as to whether this meant that the risk was unacceptable, it was reported that in certain circumstances it was not possible to reduce the level of risk, but that appropriate actions and controls to manage the risk would be put in place until the circumstances were such that the level of risk could be reduced. In response to questions regarding the way in which the impact of risks was assessed, it was reported that the assessment was subject to individual interpretation, and could only reflect a particular point in time.

It was suggested by the Committee that risks should be more focussed and specific in order to ensure that they could be effective, with a single person responsible, rather than spreading ownership of a risk over a number of officers. Ms Woods reported that the risks included in the corporate risk register were supported by the underlying business unit and departmental risk registers, from which the corporate risk register was compiled, and that a greater level of detail on each risk could be found in these underlying registers. The feedback on identifying a direct owner for each risk was welcomed, and would be looked into further.

In response to a question from the Chair regarding the confirmation of whether everyone was aware of the key risks and responsibilities, Ms Woods reported that this confirmation would be included in the forthcoming Annual Governance Statement. As the Corporate Risk Register was supported by 34 or more other Departmental, Business Unit and Service-level risk registers not presented to the Committee at this meeting, the Chair asked whether the departmental and business unit risk registers underlying the corporate risk register had been properly verified, in presenting the report to the Audit Committee; both Ms Woods and the Chief Financial Officer confirmed that these had been properly scrutinised to ensure appropriate governance of the Council's risks.

In response to concerns raised by the Committee that the risk of a reduction in public spending should be reflected in the corporate risk register, it was confirmed that this had now been added to the risk register under CEMB1. Given the significance of the areas of child protection and adult safeguarding, and the impact of these areas on the Council's CAA assessment, in response to a request by the Chair it was agreed that these areas be made more explicit against CEMB5 on the corporate risk register.

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	<p>In order to avoid any confusion, the Chair asked Ms Woods how the potential conflict of interest presented by having ownership of corporate risk CEMB18 and at the same time being responsible for the overall monitoring of risk management was resolved. Ms Woods responded that this would be assessed independently by Deloitte and Touche for assurance.</p> <p>In response to a question regarding the benchmarking of assessment and management of risk, Ms Woods confirmed that this was carried out by Deloitte and Touche, and was a cross-London exercise. The Chair suggested that benchmarking should be carried out on a yearly basis, and reported to the Committee.</p> <p>The Committee enquired about the progress with the whistle-blowing report, and Ms Woods advised that a separate report on whistle-blowing would be presented to the Committee along with the annual governance report.</p> <p>Taking into account the comments of the Committee, on a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the implementation of the risk management strategy across the Council be noted, with direction from the Committee to all concerned that proper risk-based safeguards be established forthwith at all levels in order to ensure the uplift of the Council's position at the next CAA assessment. ii) That the revised risk management policy and strategy be approved. iii) That Child Protection, in light of the Baby P case, and Safeguarding Adults be included in the Corporate Risk Register along with the additional risks as identified at paragraph 16.1 of the officer's report. iv) All units should ensure that risk registers (including the new electronic system as mentioned in point 15.3 of the Report) are kept up to date. 	
<p>PRAC88.</p>	<p>OFFICE OF THE SURVEILLANCE COMMISSIONERS (OSC) INSPECTION</p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the inspection visit made to Haringey by the Assistant Surveillance Commissioner in March 2009, the recommendations made by the OSC and the Council's response. It was reported that the OSC had not identified any significant issues in the Council's use of RIPA, and that all the recommendations made in the report had been agreed by the Council and would be implemented.</p> <p>In response to a question from the Committee regarding the breakdown</p>	

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	<p>of circumstances where RIPA had been used, it was reported that a report giving these details had been presented to the Committee separately and was not included in the OSC report.</p> <p>RESOLVED</p> <p>That the content of the OSC inspection report be noted, and the action plan to address the recommendations made by the Surveillance Commissioner be approved.</p>	
PRAC89.	<p>NEW ITEMS OF URGENT BUSINESS</p> <p>There were no new items of urgent business.</p>	
PRAC90.	<p>DATE OF NEXT MEETING</p> <p>Tuesday, 2 June 2009 at 19:30hrs at the Civic Centre.</p> <p>As this had been the last meeting of the Audit Committee for the municipal year, the Chair thanked all Members and officers for their support over the past year.</p>	

COUNCILLOR GMMH RAHMAN KHAN

Chair

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HARINGEY COUNCIL

AUDIT PROGRESS REPORT - 2 JUNE 2009

Work	Progress
Use of resources and data quality 2008	Reported to February 2009 Audit Committee
Review of probity and propriety	Reported to February 2009 Audit Committee
Grants 2007-08	Reported to February 2009 Audit Committee
Accounts planning workshop, interim accounts work and discussion of key issues	Following attendance at our 2008-09 accounts training sessions in January, we have held a number of liaison meetings to discuss key issues and plan for the 2008/09 audit. These are progressing well and we have agreed a date with management for receipt of the draft accounts.
International Financial Reporting Standards (IFRS)	<p>In February 2009, we held a workshop to help the Council to prepare for putting arrangements in place, from April 2009, in time for full implementation of IFRS in 2010/11.</p> <p>We have recently completed our IFRS conversion report planner for the Council and are agreeing this with management. As reported verbally to the last Audit Committee, the Council has made a good start with its preparations for IFRS accounting. Our report highlights the areas of greatest likely impact for the Council and proposes a number of actions for the Council over the coming months. We will present this report to the next Audit Committee.</p>
Interim accounts audit	The interim audit took place from 23 March to 3 April 2009. There were no significant issues to report to the Audit Committee.

Work	Progress
Final accounts audit	To be carried out in July and August and reported to Members in September 2009 as part of the Annual report to those charged with governance (ISA260).
Use of resources and data quality 2009	Work is underway and will continue over the Summer. The results of this work will be reported, with our use of resources conclusion, in the Annual report to those charged with governance (September 2009).
Treasury management	We worked with the Council to submit details of it's treasury management policies and investments to the Audit Commission. This information was requested from all local government bodies as part of the Commission's research to identify lessons for local government treasury management following the recent default of Icelandic banks. The Audit Commission published results from the research in March and recommended a number of actions for local authorities. We will assess the Council's response to these, and other internal and external treasury management recommendations, as part of our 2009/10 audit.
2009/10 audit fees	<p>We agreed our indicative fees letter with the Council and presented this to the April Audit Committee meeting.</p> <p>Our full audit plan and updated audit fee will be presented to the Audit Committee in early 2010, following agreement with management.</p>

Grant Thornton UK LLP

2 June 2009



Haringey Council

Agenda item:

Audit Committee**On 2 June 2009**Report Title: **Draft Annual Governance Statement 2008/09**Report authorised by: **Chief Financial Officer**

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

Tel: 020 8489 5973

Email: anne.woods@haringey.gov.ukWards(s) affected: **All**Report for: **Non-key decision****1. Purpose of the report**

- 1.1 To inform the Audit Committee of the requirements of the statutory Annual Governance Statement (AGS) and provide a draft statement relating to 2008/09 for review and approval.
- 1.2 To inform the Audit Committee of the supporting information used to produce the draft AGS and provide a copy of the management assurance and self assessment statement, which will be completed and submitted by Director's and ACE's, for information.

2. State link(s) with Council Plan Priorities and actions and/or other Strategies:

- 2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services. Part of this is completed by providing assurance to managers and the Audit Committee on governance and control issues in key risk areas as part of the annual audit plan and making recommendations for improvement where appropriate.
- 2.2 Governance arrangements form a key element within the revised Use of Resources assessment and will continue to be part of the CAA from 2009 onwards. The reports to both managers and the Audit Committee on the assurance provided on key risk areas ensure that the requirements of the CAA assessment are fulfilled.

3. Recommendations

- 3.1 That the Audit Committee review the supporting information and approve the draft AGS for 2008/09.

<p>3.2 That the Audit Committee note the approval timescale and process for the draft AGS.</p>
<p>4. Reason for recommendation(s) 4.1 The Audit Committee is responsible for approving the Council’s draft AGS as part of its Terms of Reference. In order to facilitate this, and provide information on its sources of assurance from across the Council, reports are provided on a regular basis for review and consideration by the Audit Committee throughout the financial year, culminating in the production of the AGS.</p>
<p>5. Other options considered 5.1 Not applicable</p>
<p>6. Summary 6.1 The production and publication of an AGS is a statutory requirement as part of the 2006 Accounts and Audit Regulations. The process to gather evidence and produce the AGS is contained within internal audit’s remit and the review and approval of the draft AGS rests, at Member level, with the Audit Committee. 6.2 This report provides background information, and relevant evidence to support the draft AGS presented for review. Information from internal audit, other sources of assurance from across the Council and from individual Directors and Assistant Chief Executives have been used to produce the draft AGS.</p>
<p>7. Head of Legal Services Comments 7.1 The legal and constitutional implications are set out in the body of this report.</p>
<p>8. Chief Financial Officer Comments 8.1 The Chief Financial Officer has been consulted over the contents of this report and concurs that there are no direct financial implications arising from this report which are not funded either from Audit & Risk Management budgets or business unit budgets.</p>
<p>9. Head of Procurement Comments 9.1 Not applicable</p>
<p>10. Equalities and Community Cohesion Comments 10.1 This report deals with governance arrangements and their implementation are managed across all areas of the council, which have an impact on various parts of the community. Improvements in managing governance and controls will therefore improve services the Council provides to all sections of the community.</p>

11. Consultation

11.1 No external consultation was required or undertaken in the production of this report. Consultation is undertaken with respective service managers, Assistant Directors and Directors in the production of the annual self assessment and assurance statements. Their comments and conclusions are included in the draft AGS which is reviewed and approved in accordance with the agreed Audit Committee terms of reference.

12. Service Financial Comments

12.1 There are no direct financial implications arising from this report. The work within internal audit to support the production of the AGS is contained and managed within the Audit and Risk Management revenue budget. Service departments manage risks and governance arrangements as part of the routine work to achieve their business plans and costs are contained within their revenue budgets.

13. Use of appendices

13.1 Appendix A – Draft Annual Governance Statement
 Appendix B – AGS – matrix of supporting assurance and evidence
 Appendix C – Management Assurance Statement and self assessment checklist

14. Local Government (Access to Information) Act 1985

14.1 For access to the background papers or any further information please contact Anne Woods on 0208 489 5973.

15. Background

15.1 Since 2007/08, the Council has been required to produce an Annual Governance Statement (AGS) for publication with the council's annual accounts. The AGS comments on the Council's governance framework as a whole. Corporate governance brings together an underlying set of legislative requirements, governance principles and management processes.

15.2 The preparation of an AGS is a statutory requirement of the Accounts and Audit (amendment) (England) Regulations 2006. These regulations require local authorities to produce an annual statement, in accordance with 'proper practice'.

15.3 A pro forma AGS has been devised by the Chartered Institute of Public Finance and Accountancy (CIPFA) for use by local authorities. The pro forma provides the key headings that should be included in the AGS, along with indications of what might be

covered. It does not, however, provide standard wording for the sections dealing with the governance framework and the review of its effectiveness. This will be dependent on the risks identified within each individual authority.

15.4 The Council's external auditors, Grant Thornton, will review the AGS as part of their annual audit and inspection processes. The AGS, and the process to produce it, also contributes towards the CAA Use of Resources assessment.

16. Analysis

16.1 In order to comply with the statutory reporting deadlines, the AGS for 2008/09 has to be approved with the Statement of Accounts at General Purposes Committee on 26 June 2008. The Leader and Chief Executive will need to obtain sufficient assurance that responsibilities have been adopted at a corporate level and adequate processes exist and are effective before they sign the AGS.

16.2 Prior to its final approval, the Council needs to demonstrate that the AGS has been reviewed and agreed by relevant senior managers across the authority and an appropriate member body, independent of the General Purposes Committee.

16.3 Chief officers have reviewed a draft statement and a copy of this is provided at Appendix A. This has been produced in line with the guidance issued by CIPFA. In support of the AGS, a matrix is attached at Appendix B. This identifies the key elements of the Council's corporate governance environment; how the Council gains assurance; and where the evidence to support the assurance can be found. The matrix has been completed jointly by a core group of officers comprising the Head of Audit and Risk Management, Head of Legal Services and Head of Member Services, with input from key officers within Legal Services, Corporate Finance and Performance and Policy. Additional evidence, or further actions have been obtained from the Management Assurance Statements completed by Chief Officers and the accompanying self assessment checklists and included in the matrix.

16.4 The matrix also identifies where any gaps in assurance or evidence exist and action is required to address these gaps. An action plan is provided with the AGS which identifies the actions to be taken, together with the responsible officer and timescales. The Audit Committee should note that the core group of officers are overseeing the work on all the areas identified in the action plan to ensure that the issues are appropriately addressed and the specified deadlines are met.

16.5 Appendix C is the revised Management Assurance Statement, covering 2008/09, which all Directors and Assistant Chief Executives were required to complete. The requirements of the corporate governance framework and AGS, and the CAA KLOE's were reviewed and incorporated into the Management Assurance Statement, including the self-assessment checklist.

16.6 It is acknowledged that the draft AGS is presented for review and approval prior to completion of the external audit of the statutory external audit of the accounts. It is anticipated that any significant internal control issues which arise as a result of this, can

be included in the AGS and re-submitted for officer and member consideration and approval before the closure of the statutory audit period on 30th September 2008.

16.7 Corporate governance is an important element of the external assessment processes. The annual accounts, including the AGS, are subject to audit by the council's external auditors. While the whole of the financial statements may not be qualified, an incorrect or inaccurate AGS may be raised as a recommendation by the external auditors.

16.8 Corporate governance is also included in the CAA Use of Resources assessment as part of the Key Lines of Enquiry (KLOE) 2.3, which asks 'Does the organisation promote and demonstrate the principles and values of good governance?'

Annual Governance Statement 2008/09**1. Scope of responsibility**

- 1.1 Haringey is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Haringey also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this, Haringey is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The authority has a framework of corporate governance in place which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. In 2008/09, Haringey Council formally approved a local code of corporate governance which has been published on the Council's website.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can provide a reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Haringey'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.
- 2.3 The governance framework has been in place at Haringey for the year ended 31st March 2009 and up to the date of the approval of the annual report and accounts.

3. The governance framework

- 3.1 The key elements of the systems and processes that comprise the authority's governance arrangements are:

a) Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

Haringey has well established and documented aims and objectives in order to improve the quality of life for people living and working within the borough and ensure that high quality services are delivered efficiently and effectively. The Council, together with its partners, has developed the Sustainable Community Strategy 2007-2016 which sets out a joint vision and objectives. The Sustainable Community Strategy was developed after extensive consultation with residents and stakeholders through the '*Have your say Haringey – shape the future*' campaign. The Sustainable Community Strategy is published and is also available on the council's website and a summary of the strategy has been translated into ten languages.

The Council Plan is linked to the Sustainable Community Strategy and sets out the priorities of the Council and how these will be achieved in practice over the period 2007-10. The Council's objectives are informed by what residents and service users say and their views are captured in our annual residents' survey.

b) Reviewing the authority's vision and its implications for the authority's governance arrangements

The implementation of the Sustainable Community Strategy is monitored through the delivery of the Local Area Agreement, which contains all the required national and local targets. In support of the Community Strategy, all the Council's business and financial planning documents reflect its vision and objectives. Delivery of these is through an integrated annual business and financial process, which are subject to full consultation and review by the Council's Overview and Scrutiny Committee, formal adoption by the Cabinet and approval by the Council.

Progress against the business plans is reviewed mid-year as part of the Council's formal pre-business plan review process. The Council's Medium Term Financial Strategy 2009-2012 sets out the three year budget for the Council. It supports the Council Plan and allocates resources over all the council's activities, including to the council's priorities, and is monitored on a regular basis to ensure that resources are aligned to council objectives.

c) Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

The Council is committed to delivering value for money. This is achieved through a variety of mechanisms including a well established business planning process, and a robust performance management system. Haringey has comprehensive performance management systems, which include Business Plans, Service Improvement Plans and National and Local Performance Indicators. Performance measurement is undertaken at various

levels and is subject to review both internally by managers and members and externally by the Council's external auditors. In addition, during 2008/09 an independent review of data quality arrangements was undertaken by external consultants.

The Cabinet receive regular reports highlighting key financial and performance management information, which include a corporate 'balanced scorecard' and allows them to effectively monitor compliance with all key policies and Council objectives. Cabinet agendas, reports and minutes are available on the Council's website. An independent survey of a representative sample of residents and service users is completed on an annual basis and reported to senior officers and members to ensure appropriate action can be taken in specific areas.

During 2008/09, the Council implemented a Quality Outcomes Board in order to look more widely at improving services and outcomes for stakeholders across the board. The Quality Outcomes Board will provide expert external advice, support and challenge over the next year. The Quality Outcomes Board will look at key areas including child protection, housing and effective partnership working through the Haringey Strategic Partnership.

Following the inspection into safeguarding arrangements by OFSTED in November 2008, which highlighted a number of issues in relation to governance and controls, an agreed Joint Area Review (JAR) action plan was put in place. Regular reports against the identified actions are being made to the Secretary of State and other government officials.

d) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Council's Constitution sets out the policy and decision making framework of the authority and is held in hard copy and on the council's intranet and external website. The roles and responsibilities of the whole Council, the Cabinet, other committees, all councillors including Cabinet Members, and officers is clearly documented, and it also contains protocols governing the relationships between members and officers and job descriptions of the council's Statutory Officers (Head of Paid Service, Monitoring Officer and Section 151 Officer). The roles and functions of all councillors in relation to governance issues are clearly documented, including their responsibilities for ward duties and the governance of the Council.

The Constitution is reviewed on an ongoing basis and updated to reflect functional and organisational changes to the Council. The council's scheme of delegation is contained within the Constitution and is reviewed and communicated on a regular basis to all appropriate officers and members.

e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

Haringey has well established codes of conduct for officers and members, which are regularly reviewed and subject to approval by members. The Council requires all members to formally acknowledge receipt of their code of conduct on an annual basis. Members are provided with regular briefings on the code of conduct as part of the established induction and training programme. The Council's Member Learning and Development Strategy also incorporates specific sections relating to corporate governance issues.

The Council's officer code of conduct has been reviewed and updated on a regular basis. Following the last comprehensive review in July 2006, all staff employed by the Council were required to formally acknowledge receipt of the code of conduct. All new members of staff receive training, including the code of conduct, as part of their induction processes. Regular articles are included in corporate and staff newsletters outlining expected standards of behaviour in specific areas.

f) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Constitution Working Group is an established group which meets on a regular basis to monitor, review and update the Council's Constitution and associated governance arrangements, based on a rolling work programme and taking into account any new legislative and statutory requirements. The Council's Statutory Officers meet on a quarterly basis and review key areas of governance.

Haringey has a Risk Management Strategy which is reviewed and updated on an annual basis and, through a variety of processes and procedures, ensures that risk management is embedded across the organisation and its activities, including being an integral part of the business planning process. The Council has a corporate risk register and all departments and business units have risk registers in place. Regular reports are provided to both the Chief Executive's Management Board and the Audit Committee detailing progress in embedding risk management throughout the Council.

g) Undertaking the core functions of an audit committee, as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'

Using CIPFA and the Institute of Public Finance guidance, the Council's Audit Committee has been assessed as meeting all good practice requirements. The Audit Committee has received reports on the outcome of the assessments and monitors compliance with best practice as part of its terms of reference.

h) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Council's Constitution contains the Financial and Contract Procedure Rules, which specify the governance framework for all its operational functions. Officer Employment Rules and a Monitoring Officer Protocol are also contained within the Constitution. The Constitution also includes the roles of key compliance officers, including the Council's Monitoring Officer and Section 151 Officer, as well as specific functional responsibilities for the Cabinet, committees, other bodies and officers.

Regular internal and external audit reviews check compliance with Financial and Contract Procedure Rules across the council. During 2008/09, all the Council's key financial systems received a 'substantial' assurance rating from internal audit.

Financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. Key elements of the financial management system include integrated budgeting and medium term financial planning systems, regular budget monitoring reports to the Cabinet, systematic review of all key financial control processes, monitoring of key financial and other targets, and formal project management processes.

i) Whistle-blowing and for receiving and investigating complaints from the public

Haringey has a well-established and publicised anti-fraud and corruption policy and strategy, including a fraud response plan and Whistle-blowing policy which complies with relevant legislation and is monitored and managed by Internal Audit. The Council also has a free-phone telephone number and email reporting facilities which are contained on the external website to receive reports of suspected frauds, which can be done anonymously. These are monitored and managed by Internal Audit and all referrals are subject to review and investigation where sufficient details are provided. Fraud and corruption policies and procedures are contained within the Employee Handbook, the council's intranet and website and regular staff newsletter items are published which explain how and where to report suspected fraud.

The Council also has a corporate complaints policy, and agreed procedures, which are subject to regular review and updates. The Council's policy and procedures are complaint with all relevant statutory requirements and are publicised on the Council's external website and at various public sites across the borough. Reports are provided to members on a regular basis, summarising the numbers and types of complaints, together with the outcome and resolution of these.

j) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

Haringey Council has implemented a Member Learning and Development Strategy. The Council was the first in London to achieve a Member Development Charter which recognises the work carried out by the Council to provide members with the support, skills and training needed to develop and manage council services and budgets effectively.

The Working at the Political Interface Programme, which was launched in late 2008, delivers a programme of learning and development and service improvement activity that will improve council officers' understanding of the role, and complexity of the modern member, including the implications of the Local Government and Public Involvement in Health Act 2007 and related legislation. The programme also focuses on the difference between executive and non executive councillors and the legal framework that Councillors operate within, together with effective communication and appreciating diversity. This programme feeds into the member learning and development programme which is overseen by a cross party member working group chaired by the Cabinet Member for Community Cohesion and Involvement.

The Council also delivers a Leadership Programme for all managers, which includes a variety of training courses, workshops and work-related projects. All staff within the Council receive an annual performance review and appraisal, which is linked to the council's competency framework, and results in individual work targets and development plan. Every year, the Council provides a programme of learning events for managers and staff based on the council's vision and values, aims and objectives, and key service delivery requirements.

k) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

The Council's publishes a resident's magazine, Haringey People, ten times per year containing information on council activities. Hard copies are delivered to all residential addresses and the magazine is also available via the Council's intranet and external website. Once a year this includes a summarised annual report and set of financial statements.

The Council also runs seven Area Assemblies, which are informal, and discussions take place on issues which are important to the residents of the area. The Assemblies are open to everyone and are held in local community buildings in all parts of the borough. The Assemblies are chaired by a Ward Member; and are attended by Cabinet Members and council officers and therefore provide opportunities for individuals to question and challenge elected members and council officers. Details of meetings are published on the Council's website and Assembly Newsletters are produced after each meeting.

The Council has a Consultation strategy and has implemented a consultation management system, which ensures a consistent and appropriate approach to consultation and the processes by which consultation is undertaken. The management system is underpinned by comprehensive guidance and procedures. In addition, during 2008/09, the Council has been developing a Community Engagement Framework in conjunction with the Haringey Strategic Partnership (HSP), and key community and voluntary sector partners. The framework will develop and extend existing good practice across organisations in the future.

The Council joined with local public agencies, community groups and businesses to create the Haringey Strategic Partnership (HSP) in April 2002. The shared vision for the future of Haringey and the HSP priorities are set out in the Sustainable Community Strategy which is published and available on the Council's website. All agendas and minutes from HSP Board and Theme Board meetings are also publicly available and are accessible via the Council's website.

At the full Council meeting in December 2008, the Leader of the Council also announced the establishment of a Corporate Parenting Working Group and a Children's Safeguarding Policy and Practice Panel. Both forums are cross-party and will provide an advisory and oversight role. Periodic updates will be provided to the Cabinet and Cabinet member for Children & Young People, including any recommendations that should be considered to improve police practice and member development activity.

i) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

The Council has identified its key partnerships, based on the Audit Commission's definition, and has reviewed the governance arrangements and structures within these. The Council has collated corporate governance assurances in the form of terms of reference and/or the Constitution of the partnership. Governance arrangements within the Haringey Strategic Partnership, the Council's key partnership, are clearly identified and defined. The Council's member services division provides operational support to the HSP to ensure that its governance arrangements are robust and in accordance with the agreed arrangements. During 2008/09, the HSP adopted a local code of corporate governance which complements the Council's own internal control and governance arrangements.

The Council has been working with Alexandra Palace and Park to provide temporary additional support and resources during 2008 to ensure that improvements in governance and controls were implemented. Independent reviews of governance and control issues were completed and reported to Alexandra Palace Charitable Trust Board. Agreed action plans are in place and subject to follow up to ensure that key risks are appropriately managed.

4. Review of effectiveness

- 4.1 Haringey has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 Under the Comprehensive Performance Assessment (CPA) Haringey achieved a rating of one star (out of four), as a result of weaknesses identified in Safeguarding within the Children and Young People's Service. In the CPA Use of Resources assessment, Haringey achieved a rating of 3 (out of 4) overall. During 2008/09, the Audit Commission report on the council's Housing Allocations was finalised and a zero star rating was awarded. A project team has been working towards implementing the recommendations made during 2008/09.
- 4.3 Risk management is an area which is continuously under review and the Council's Risk Management Strategy has drawn together the various elements of risk management, including risk registers, health and safety, business continuity and emergency planning and project management into a process which is aligned to the Council's business planning cycle. During 2008/09, the council implemented a new performance management system, which will be further developed to incorporate risk management and provide improved links between risk and performance issues.
- 4.4 Directors have submitted a statement of assurance covering 2008/09 which is informed by work carried out by internal audit, external assessment and risk management processes. The statements provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately. Key governance issues which have been identified and which remain outstanding have been incorporated into the action plan.
- 4.5 The Head of Audit and Risk Management provided an Annual Audit Report and opinion for 2008/09, which concluded that in most areas across the Council there are sound internal financial control systems and corporate governance arrangements in place. All of the Council's key financial systems received a 'substantial' assurance rating and the follow up programme concluded that all high priority recommendations had been appropriately addressed.
- 4.6 The Cabinet undertakes regular monthly reviews of financial and service performance, based on a range of key performance indicators and financial and budget management information. Cabinet also review the delegated decisions and significant actions undertaken by council officers, or urgent actions taken in consultation with Cabinet members, to ensure they comply

with the scheme of delegation. Minutes of sub-bodies are also reviewed by Cabinet, including procurement decisions and actions.

- 4.7 The Council's Audit Committee has responsibility for internal and external audit, risk management and corporate governance issues included within its terms of reference. The Committee receive regular reports throughout the year detailing progress made against the internal and external audit plans, highlights of any significant control weaknesses, together with the outcome of the follow up programme of audit reviews. No significant issues were identified during 2008/09 by the Audit Committee. The Audit Committee provides an annual report on the work it has undertaken to full Council.
- 4.8 The Council's Standards Committee is chaired by an independent person and received reports from the Monitoring Officer on the referrals received from the Standards Board for England. An annual report on its work is presented to full Council for information.
- 4.9 The Overview and Scrutiny Committee undertakes a planned programme of work. Reports on the outcome of the reviews, together with any recommendations are presented to Cabinet, who respond to the recommendations presented by the Overview and Scrutiny Committee. The Overview and Scrutiny Committee also provide challenge to the Cabinet's budget proposals.
- 4.10 The Leader of the Council and the Chief Executive have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to implement enhancements and ensure continuous improvement of the system is in place.
- 4.11 Following the central government review of safeguarding arrangements in November 2008, the Council has been implementing fundamental changes to the way in which it and other agencies responsible for safeguarding work together in order to address the issues identified. A new independent chair of the Haringey Local Safeguarding Children Board was appointed in December 2008, since when work has been ongoing to fully implement the recommendations of the new Laming report. The Quality Outcomes Board will have an overview and support role to ensure that improvements to safeguarding are being implemented during 2009/10.

5. Significant governance issues

- 5.1 In 2007/08, a number of actions were reported in the AGS to deal with outstanding governance issues. Some of these have been incorporated into the body of the AGS as actions have been completed. The summary below highlights what the council has done to address those issues for which work has been ongoing during 2008/09 and where further work will be carried forward into 2009/10:

- The Housing Improvement Board has been working towards implementing the recommendations made by the Audit Commission review and this will be continued in 2009/10; and
- Further work will be done in 2009/10 to fully embed governance arrangements in respect of the Haringey Strategic Partnerships

5.2 The Council proposes over the coming year to take steps to further improve governance arrangements in key areas and these are set out in the action plan below. The action plan will be monitored during the year to ensure all issues are appropriately addressed.

Issue	Action	Responsibility	Due date
External assessment - Joint Area Review (JAR)	Ensure that the recommendations in the JAR action plan are implemented in accordance with the agreed timetable.	Director of Children and Young People's Service	December 2009
Performance management – treasury management	Implementation of recommendations following independent review of treasury management arrangements and revised CIPFA guidance	Chief Financial Officer	July 2009
External assessment – Adult Services	Ensure that any recommendations arising out of the independent inspection of the Adult Services function are fully addressed.	Director of Adults Culture and Community Services	March 2010
Performance Management – data quality	Implementation of Information Governance Board project timetable and actions	ACE – PPP&C	March 2010
Performance Management – data quality	Ensure that the new performance management IT system is embedded across the council for performance, risk and projects to maximise its effectiveness	ACE – PPP&C	March 2010

Councillor Claire Kober
Leader of the Council

Dr. Ita O'Donovan
Chief Executive

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
1a	Mechanism established to identify principal statutory obligations	Responsibilities for statutory obligations are formally established	<ul style="list-style-type: none"> • Council's Constitution. • Role of the Cabinet, and all other specific council committees, e.g. licensing, defined. • Committee terms of reference • Scheme of delegation in place and reviewed on regular basis. • Structure charts • Job descriptions of relevant managers (Head of Paid Service, Monitoring Officer, s151 Officer) • Scheme of Delegation reviewed in 2008/9 - revised scheme agreed by full Council on 30th March. 	Terms of reference for all committees reviewed annually before being agreed each year by full Council
1b	Record held of statutory obligations	Record held of statutory obligations	<ul style="list-style-type: none"> • Council Constitution and scheme of delegation identifies key statutory functions and is reviewed on regular basis. • Constitution available on intranet and in hard copy • Legal Services hold copies of relevant statutory requirements • Scheme of Delegation updated as part of recent review which was completed in March 2009 - revised scheme endorsed by CRWG and agreed by full Council on 30th March 2009 	In accordance with best practice scheme of delegation to be reviewed on a periodic basis to ensure fit for purpose and compliant with legislative requirements.
1c	Effective procedures to identify, evaluate, communicate, implement, comply with and monitor	Effective procedures to identify, evaluate, communicate, implement, comply with and monitor	<ul style="list-style-type: none"> • CRWG which is a cross-party member working group has oversight on constitutional issues and meets as required • Reports to the Cabinet, CEEM and other officer 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
		<p>legislative change exist and are used</p>	<p>groups and member groups on the implications of new legislation - Briefings / reports for decision prepared and considered as required by relevant bodies e.g. Leader's Conference, member briefing events</p> <ul style="list-style-type: none"> • Members and Officers Code of conduct in place; reviewed on a regular basis and re-issued to all staff. • Included within induction training for specific roles • MLD programme has specific strategy and programme on induction. • Standards Committee has oversight for ethical governance issues and responded to amendments to members' code required by recent legislation (most recent changes made in May 2008). • All newly elected members have induction training including training on Code of Conduct with annual refreshers. • Member attendance at ethical governance training monitored and reported to Standards Committee. • Working at the political interface programme for members and officers being developed and delivered during 2008/9 • Leadership programme for managers has a specific element on political and organisational awareness • Political and Organisational Awareness is a key competency in the appraisal process for officers 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
1d		<p>Effective action is taken where areas of non-compliance are found</p>	<p>and part of officer induction process</p> <ul style="list-style-type: none"> • Political Awareness is a key feature of members' PDPs. Outcomes will inform future development programmes for members and officers. <p>Evidence to demonstrate that action has been taken:</p> <ul style="list-style-type: none"> • Internal/external audit reports and external assessments e.g. OFSTED, CQC. • Action plans in place to monitor achievement against recommendations. • Monitoring reports on actions plans re: implementation of identified key risk areas e.g. ethical governance • Evidence of corrective action taken in response to any upheld complaints • External audit report recommendations e.g. for final accounts; Use of Resources - action plans in place and reported. • Draft JAR action plan produced and submitted to OFSTED and Children's Minister in mid-April 2009 for approval • Independent Safeguarding Board Chair appointed in Dec 2008 • All councillors received refresher safeguarding from Feb – April 2009 • New Children's Safeguarding Policy and Practice Panel established in April 2009. ToR agreed. Independent member to be appointed to panel in April / May 2009. Safeguarding Panel members to 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
			<p>receive additional Safeguarding training in May 2009</p> <ul style="list-style-type: none"> • Corporate Parenting Advisory Group established in April 2009 - to also have oversight for member training, briefings and communications on corporate parenting issues. The Cabinet member / Cabinet to receive periodic updates of what action has been taken / any recommendations for change. • Council Officers, Members and partners consulted in April 2009 on revised Children's Trust Governance structure. Revised structure likely to be agreed in May/June 2009 • Reviews of Alexandra Palace governance issues produced and considered by appropriate forums • Since May 2008 Standards Committee has implemented local arrangements for assessment and determination hearings councillor complaints • Independent reviews of Treasury Management arrangements have been undertaken and reported to appropriate officer and member bodies, with agreed action plans in place. 	
2a	Mechanism in place to establish corporate objectives	Consultation with stakeholders on priorities and objectives	<ul style="list-style-type: none"> • The Council, together with its partners has developed the Haringey Community Strategy 2007-2016. The objectives of the strategy have been jointly agreed and its implementation is monitored through the delivery of the Local Area 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
			<p>Agreement.</p> <ul style="list-style-type: none"> • An update of achievements of Haringey's Sustainable Community Strategy was completed in March 2009 and is being distributed to all residents in April 2009 via Haringey People • Haringey's new LAA was developed and negotiated with the HSP. The final LAA agreement was formally signed by GoL in June 2008 • The Thematic Boards are charged with performance managements of their respective targets within the LAA and report quarterly to the HSP PMG • A refresh of the LAA targets were concluded in March 2009. Awaiting final sign-off by GoL. • Consultation on draft community engagement framework underway – consultation period due to finish on 21 April 2009 • Draft Community Engagement Framework to be agreed in principle by HSP in late April 2009. • Following agreement by HSP a delivery plan will be produced to assist with oversight of implementation • During 2009/10 there will be a further stage of public communications / consultation on the framework. A plain English version of the framework will be produced • HSP Code of Governance agreed in June 2008 which includes key principle on engagement. 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
2b		The Authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation)	<p>Action plan which is also corporate governance statement for HSP produced for which cross-partnership governance group has oversight of implementation. Annual statement on implementation to be presented to HSP in June 2009</p> <ul style="list-style-type: none"> The Community Strategy was developed after extensive consultation with residents and stakeholders through the; <i>Have your say Haringey – shape the future</i> campaign. The Council Plan is linked to the Community Strategy objectives and sets out the priorities of the council and how these will be achieved. The council's objectives are informed by what residents say are important in our annual residents' survey. 	
2c		Priorities and objectives are aligned to principal statutory obligations and relate to available funding	<ul style="list-style-type: none"> The Medium Term Financial Strategy sets out the three year budget for the council. It supports the Council Plan and allocates resources, including to the council's priorities. 	
2d		Objectives are reflected in departmental plans and are clearly matched with associated budgets	<ul style="list-style-type: none"> The council's objectives are reflected in the business plans for the services, setting out how each business unit will achieve these, with performance measures and costs. Progress against the business plans is reviewed mid year with the pre business plan review. 	
2e		The authority's objectives are clearly communicated to staff and all stakeholders, including	<ul style="list-style-type: none"> Individual staff appraisals contain objectives form the service's business plans with individual targets for achievement. Our staff survey results show 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
3a	Effective corporate governance arrangements are embedded within the council	<p>partners</p> <p>Code of Corporate Governance has been established</p>	<p>that 90% of staff have had an appraisal since April 2008. Staff survey results for understanding vision, values and priorities are excellent.</p> <ul style="list-style-type: none"> • Local Code of Corporate Governance formally adopted by the Council and published on Council website. • All elements of corporate governance in line with CIPFA/SOLACE guidance are in place – codes of conduct for members and officers, declarations of interest, register of gifts and hospitality etc. • Member Learning and Development Programme in place and has Corporate Governance as a specific section. • Briefings on the Member Code of Conduct have been provided. Future sessions will be scheduled based on any recommendations from the Standards Committee / monitoring officer. 	<ul style="list-style-type: none"> • 2009/10 MLD programme to be reviewed to ensure that Corporate Governance issues are adequately covered. • Member attendance at events to be more closely monitored by the MLDWG as appropriate it will be recommended that certain topics are compulsory for members to attend based in role
3b	Review and monitoring arrangements are in place	Review and monitoring arrangements are in place	<ul style="list-style-type: none"> • Constitution Working Group in place and reviews of Standing Orders, Procedure Rules. Scheme of Delegation review completed in 2008/9 • 2009/10 Work programme of activities for the CRWG to be agreed on 30 April 2009 – timetable will ensure that CEMB are provided with updated on governance issues relating to the constitution on a regular basis 	<ul style="list-style-type: none"> • Provide updates and information on governance issues on a regular basis to CEMB • Other amendments brought constitution review working group as required

Appendix 2

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
3c		There is a committee charged with governance responsibilities	<p>Evidenced by:</p> <ul style="list-style-type: none"> Statutory Officers quarterly meeting reviews key areas of governance (Heads of Audit & Risk, Local Democracy and Legal Services) Ongoing advice provided by Monitoring Officer Corporate recording and monitoring of gifts and hospitality registers and monitoring of interests Members register maintained and updated – Reminder sent to Members Audit Committee terms of reference include responsibility for corporate governance. TOR include all aspects of corporate governance. Minutes from committee meetings confirm that responsibilities have been appropriately discharged. 	
3d	Governance training provided to key officers and all members		<ul style="list-style-type: none"> Presentation by Head of Audit to directors and departmental DMT's on corporate governance Part of the Member Learning and Development programme and strategy. 	<ul style="list-style-type: none"> Member Development Programme for 2009/10 to be agreed by MLDWG in July 2009. will take account of learning requirements on governance issues and will include <ul style="list-style-type: none"> - Specific training for Cabinet / Audit Committee members; - General training for all Members on

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence governance issues
3e		Officers, public and other stakeholder awareness of corporate governance issues.	<ul style="list-style-type: none"> • Council Constitution available on intranet and website • Whistle blowing policy on website and intranet • Anti-fraud policy, including reporting lines, available on intranet and website • Reminders given in Team Brief and Smart Talk on key governance issues • Code of Corporate Governance available on council's intranet and website 	
4a	Performance management arrangements are in place	Comprehensive and effective performance management systems operate routinely	<ul style="list-style-type: none"> • Clearly identified performance management framework in place that identifies: <ul style="list-style-type: none"> ○ All sources of performance measures – including corporate balanced scorecard ○ Who is responsible for achieving each performance measure ○ Who is responsible for collating the data for each one ○ Who determines and approves the performance measures ○ Who receives reports on performance and how often ○ How data quality is assured ○ How performance data is captured and its integrity maintained ○ How poor performance is addressed ○ How performance is driven upwards over time • Reports resulting from internal or external reviews 	<p style="text-align: right;">Page 38</p> <ul style="list-style-type: none"> • Ensure that the new performance management IT system is embedded across the council for performance, risk and projects to maximise its effectiveness

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
4b		Key performance indicators are established and monitored	<p>of performance management</p> <ul style="list-style-type: none"> • Year on year comparison of achievement against performance targets (e.g. in annual reports) • Value for money/efficiency reviews, including benchmarking results are part of rolling programme covering all business units • Departmental and/or business unit benchmarking results <ul style="list-style-type: none"> • Appropriate KPI's have been established and approved for each service element and are included in departmental and business unit plans. • A robust monitoring system has been approved and implemented. • There are monthly reports on progress on delivering KPI's. • There is an approved mechanism for reviewing the continuing suitability of KPI's and for securing continuous change by increasing the required standards 	
4c		The council is aware how well it is performing against its planned outcomes	<ul style="list-style-type: none"> • Regular reports are presented to members on the delivery of national, council-wide and departmental performance targets, including overall balanced scorecard. • External audit reports on BVPI's and KPI's. • Monthly budget monitoring meetings and reports – capital and revenue, current year and medium term. 	<ul style="list-style-type: none"> • Ensure that the new performance management IT system is embedded across the council for projects to maximise its effectiveness
4d		Knowledge of absolute and	<ul style="list-style-type: none"> • Monitoring reports are regularly presented to the 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
		<p>relative performances achieved is used to support decisions that drive improvements in outcomes.</p>	<p>Cabinet and appropriate committees.</p> <ul style="list-style-type: none"> • The reports include detailed performance results, highlighting where corrective action is necessary. • Committee reports include recommendations and action plans to improve performance. • Performance targets in subsequent corporate, departmental and business unit plans, improvement plans and people plans, are revised in light of actual performance. • Continuous improvement is strived for by increasing the difficulty of performance targets when they have been met over a period of time. • Performance trends are established and reported on over the medium term and are fed into the corporate, departmental and business unit planning processes. 	
4e		<p>The Council continuously improves its performance management</p>	<ul style="list-style-type: none"> • The performance management systems are regularly reviewed and updated to take account of changes in organisational structure, new performance measurement frameworks. • The performance management arrangements are revised in line with external or internal review of the arrangements. 	
5a	<p>The council has robust systems and processes in place for the identification and management of strategic and operational</p>	<p>There is a written strategy and policy in place for managing risk which:</p> <ul style="list-style-type: none"> • Has been formally approved at appropriate 	<ul style="list-style-type: none"> • Approved risk management strategy in place and published on the intranet. • Evidence of formal approval – by CEMB and audit committee • Evidence of formal review of risk management 	<ul style="list-style-type: none"> • JAR action plan. Ensure that the recommendations in the JAR action plan are implemented.

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
	risk	<ul style="list-style-type: none"> • officer and member levels Is reviewed on a regular basis • Has been communicated to all relevant staff 	<p>strategy on a regular basis by both directors and audit committee.</p> <ul style="list-style-type: none"> • Strategic Risk Management Steering Group established to review council's corporate approach 	
5b	<p>The Council has implemented clear structures and processes for risk management which are successfully implemented and:</p> <ul style="list-style-type: none"> • Senior management and members see risk management as a priority • Decision making considers risk • A senior manager has been appointed to 'champion' risk management • Roles and responsibilities for risk management have been defined • Risk management systems are subject to independent assessment • Risk management is considered in the annual business planning process 	<p>The Council has developed a</p>	<ul style="list-style-type: none"> • Audit committee minutes. • CPA comments on improved risk management arrangements. • Annual business plans include risk management. • Committee reports include appropriate risk management information. • Corporate business and financial plan assess risks. • Head of Audit & Risk Management has overall responsibility for monitoring risk management policy • Risk Management strategy lists key officers with responsibility for risk • Internal audit complete regular testing of key business unit and departmental risk registers 	
5c		<p>The Council has developed a</p>	<ul style="list-style-type: none"> • Systematic procedures for risk identification and 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
5d	<p>corporate approach to the identification and evaluation of risk which is understood by staff</p> <p>The Council has well defined procedures for recording and reporting risk.</p>	<p>evaluation have been agreed and consistently applied across all business units.</p> <ul style="list-style-type: none"> • Corporate, departmental and business unit risk registers in place • Key risks included in business plans • Project management arrangements require key risk issues to be identified recorded and monitored as part of each reporting cycle • Evidence of regular reporting of risk to appropriate officer and member level. • Evidence of risk based auditing in place • Key risks identified in audits are reported to senior managers, relevant Members and Audit Committee 		
5e	<p>The Council has well established and clear arrangements for financing risk</p>	<ul style="list-style-type: none"> • All legal requirements for insurance are met. • Self-insurance provisions are subject to regular independent actuarial valuation and contributions to the fund are adjusted accordingly. • Insurance claims are being managed in accordance with the 'Woolf' protocols. • Monitoring the incidence of successful and unsuccessful claims and reporting to departments. • Council has joined the Local Authorities Mutual (LAML) • Council has contingency arrangements in place in the event that the legal challenge to LAML is 		

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
5f		The authority has developed a programme of risk management training for relevant staff	<p>successful</p> <ul style="list-style-type: none"> • All departmental management teams have undertaken risk management training as part of the process to develop risk registers • Project managers training includes risk management • All special projects have specific risk registers and staff involved are provided with risk management training • Legal Services have Lexel accreditation which includes completing a risk form to highlight key/high risk issues to Head of Legal Services • Risk owners detailed in corporate, departmental and business unit risk registers. • Risk management responsibilities are included in risk registers, business and work plans, job descriptions where appropriate 	
5g		Managers are accountable for managing their risks.	<ul style="list-style-type: none"> • Regular reporting of key risks to directors and audit committee • Pre-Business Plan Reviews and Business Plan have specific sections for the inclusion of key risks • Regular review and updating of risk registers • Risk management addressed in all business planning, project management activities • Management of risk strategy provides framework to ensure all key risk activities (health and safety, business continuity planning, project management and risk registers) are reviewed and updated in 	
5h	Risk management is embedded throughout the council		<ul style="list-style-type: none"> • Ensure that the new performance management IT system is embedded across the council for risk management to maximise its effectiveness 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
5j		Risks in partnership working are fully considered	<p>line with business planning cycle</p> <ul style="list-style-type: none"> • Risk assessments undertaken before the start of major projects and reviewed during the project period. • Reports made to the appropriate officer and member level. • All key partnerships have been identified. • Risk Management framework for HSP formally agreed and in place 	
5k		Risk management information systems meet users needs	<ul style="list-style-type: none"> • Risk management information available for business planning, project management 	
5l		<p>The corporate risk management board (or equivalent) adds value to the risk management process by:</p> <ul style="list-style-type: none"> • Advising and supporting corporate mgmt team on risk strategies; • Identifying areas of overlapping risk; • Driving new risk management initiatives • Communicating risk management and sharing good practice • Providing and reviewing risk management training • Regularly reviewing the risk 	<ul style="list-style-type: none"> • CEMB act as overall corporate body with responsibility for risk management across the council and receive regular reports on implementation of risk management • Audit Committee receives regular reports on risk management, updates on risk registers and challenge processes • Internal audit support the risk management processes and provide advice to CEMB and DMT's – evidenced by CEMB and DMT agendas and minutes • The corporate risk management strategy includes references to all key risk management activities – H&S, project management, business continuity, risk registers, performance management 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
5m		<p>register(s)</p> <ul style="list-style-type: none"> • Co-ordinating the results for risk reporting <p>A corporate risk officer has been appointed with the necessary skills to analyse issues and offer options and advice and:</p> <ul style="list-style-type: none"> • Support decision making and policy formulation • Provide support in the risk identification and analysis process • Provides support in prioritising risk mitigation action • Provides advice and support in determining risk treatments • Inspires confidence in managers 	<p>Head of Audit and Risk Management acts as corporate officer – job description includes responsibilities</p> <ul style="list-style-type: none"> • Resources specified in annual internal audit programme to support the risk management process • Risk management workshop guidance notes are in place to provide assistance to managers 	
6a	<p>The Council has a robust system of internal control which includes systems and procedures to mitigate principal risks</p>	<p>There are written financial regulations in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff:</p> <ul style="list-style-type: none"> • Council has adopted 	<ul style="list-style-type: none"> • Financial regulations and instructions exist are formally approved, reviewed and updated regularly. • Dissemination via induction, briefings, intranet and website. • External and internal audit assessment of compliance with prudential code. 	<ul style="list-style-type: none"> • Implementation of Information Governance Board project timetable and actions • Implementation of key recommendations

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
6b		<p>CIPFA Code on Treasury Management</p> <ul style="list-style-type: none"> Compliance with the Prudential code <p>There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all staff.</p>	<ul style="list-style-type: none"> Scheme of budget delegation for all budget holders. CIPFA Code on Treasury Management has been adopted Compliance with Prudential Code is tested by internal audit as part of key financial systems work Standing orders exist, are reviewed regularly and updated to cover new procedures e.g. partnering, on-line tendering. Formal approval is achieved via full Council. Communication and dissemination via intranet, procurement bulletins 	<p>following independent review of treasury management arrangements and revised CIPFA guidance</p>
6c		<p>There is a whistleblowing policy in place which has been formally approved, regularly reviewed, widely communicated to all staff.</p>	<ul style="list-style-type: none"> Whistleblowing policy exists and has been reviewed and updated regularly. Formal approval by members. Communication and dissemination via intranet, website, staff newsletter and Team Brief. 	
6d		<p>There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all staff.</p>	<ul style="list-style-type: none"> Counter-fraud and corruption policy exists and has been regularly reviewed and updated. Formal approval by members. Examples of dissemination, staff newsletter, website, emails to all staff. Policy is held in intranet and website whistleblowing and confidential reporting policy for HSP approved and communicated. 	
6e		<p>There are codes of conduct in place which have been</p>	<ul style="list-style-type: none"> Codes of conduct in place for officers and members. 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
6f		formally approved and widely communicated to all staff.	<ul style="list-style-type: none"> Formal approval of Codes by members. Copies provided formally to all staff when updated (July 2006) and to new starters as part of corporate induction. 	<ul style="list-style-type: none"> Confirm arrangements for officers' register of interests
6g		A register of interests is maintained, regularly updated and reviewed. A scheme of delegation has been drawn up, formally approved and disseminated to all relevant staff.	<ul style="list-style-type: none"> Register of interests exists for members. The register is updated by individual members and reviewed by the Standards Committee Scheme of delegation updated in 2009 and incorporates adequate controls and sanctions. Formal approval of scheme by members. Available on intranet 	
6h		A corporate procurement policy has been drawn up, formally approved and communicated to all relevant officers	<ul style="list-style-type: none"> Procurement policy exists and has been reviewed and updated regularly to take account of new initiatives e.g. framework agreements. Formal approval of policy by members. Examples of dissemination via regular procurement newsletter New Contract Management system now implemented which is used for monitoring effectiveness of procurement policies and decisions 	
6i		Business/service continuity plans have been drawn up for all critical service areas and the plans: <ul style="list-style-type: none"> Are subject to regular testing Are subject to regular 	<ul style="list-style-type: none"> Corporate, departmental and business unit business continuity plans are in place – in compliance with Civil Contingency Act Regular testing of major incident BCP Risk Management strategy includes requirements to review and update on regular basis 	Need to ensure that all departmental and business unit BCP's are fully tested on a regular basis.

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Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
6j		review The corporate, departmental and business unit risk registers includes key controls to manage identified risks	<ul style="list-style-type: none"> Risk registers set out key risks and identify controls to manage them. Key controls are monitored, reviewed and updated regularly. Risk owners are assigned to manage key risks. 	<ul style="list-style-type: none"> Ensure that the new performance management IT system is embedded across the council for risk management to maximise its effectiveness
6k		Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed	<ul style="list-style-type: none"> Corporate, departmental and business unit risk registers which include risk indicators, have been established Risk registers are regularly reviewed and monitored by CEMB, individual directors and business unit heads Audit Committee reviews the corporate risk register on an annual basis 	
6l		The council's internal control framework is subject to regular independent assessment.	<ul style="list-style-type: none"> Internal audit plans and reports. Annual audit report. External audit reports. CPA opinion and assessment reports. 	
6m		A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all staff.	<ul style="list-style-type: none"> Health and safety policy exists and has been regularly reviewed. Formal approval of the policy by members. Examples of dissemination e.g. website and intranet, briefings, newsletter. Evidence of effectiveness of policy e.g. HSE referrals and reports. 	

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Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
6n		<p>A corporate complaints policy and procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other relevant stakeholders, and is regularly reviewed.</p>	<p>Evidenced by:</p> <ul style="list-style-type: none"> • Complaints policy and procedure exists and has been regularly reviewed and updated. • Procedure is compliant with all relevant statutory requirements. • Formal approval of policy by members. • Examples of dissemination e.g. website and intranet, induction programme, leaflets, posters. • Complaints files. • Committee reports summarising numbers, outcomes etc. 	
7a	<p>Appropriate assurance statements are received from designated internal and external assurance providers:</p> <ul style="list-style-type: none"> • The authority has identified appropriate sources of assurance • Appropriate external assurances are identified and obtained 	<p>The authority has determined appropriate internal and external sources of assurance</p>	<ul style="list-style-type: none"> • Internal director and ACE assurance statements are provided on an annual basis and are embedded in the business planning process • External assurance obtained from various assessment sources e.g. CPA and Use of Resources, external inspection functions e.g. OFSTED/CQC which are reported to CEMB and Members • Independent Member body established to cover Safeguarding • Quality Outcomes Board established • Annual independent residents survey undertaken and reported on • Internal audit undertake reviews of key financial systems on an annual basis • Performance management system reports on KPI's, finance and other performance on a monthly basis to CEMB and members 	<ul style="list-style-type: none"> • Ensure that the recommendations arising out of the independent inspections and reviews of the Housing Allocations service, Adults Service and Joint Area Review are fully addressed.

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
7b		Appropriate key controls on which assurance is to be given have been identified and agreed	<ul style="list-style-type: none"> Internal audit document the key controls in all financial systems – all held on audit files Key controls are agreed with external auditors on an annual basis 	
7c		Departmental assurances are provided	<ul style="list-style-type: none"> Internal director and ACE assurance statements are provided on an annual basis 	
7d		<p>External assurance reports are collated centrally</p> <ul style="list-style-type: none"> Reports are reviewed by relevant senior management team and reported to appropriate committee Action plans are prepared and approved as appropriate Follow up reports on recommendations are requested and reviewed by relevant senior management team and progress is regularly reported to relevant committee 	<ul style="list-style-type: none"> All key assurance reports (internal and external) are reported to CEMB and Members Audit Committee receives all relevant reports from external auditors and various inspection functions e.g. Office of Surveillance Commissioner All action plans are monitored – Audit Committee includes follow up of audit recommendations as part of regular quarterly reporting process 	
7e		Internal audit arrangements	<ul style="list-style-type: none"> Council has an internal audit division which fully complies with the CIPFA Code of Practice and evidenced by report to Audit Committee and full 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
7f		Corporate governance arrangements	<p>reliance by external audit on its work.</p> <ul style="list-style-type: none"> • Reports on key financial systems provided to Audit Committee • Local Code of Corporate Governance formally adopted by the Council and published on Council website. • All elements of corporate governance in line with CIPFA/SOLACE guidance are in place – codes of conduct for members and officers, declarations of interest, register of gifts and hospitality etc. 	<ul style="list-style-type: none"> • Review and update the Local Code of Corporate Governance to reflect current issues
7g		Performance monitoring arrangements	<ul style="list-style-type: none"> • Performance monitoring system in place and provides regular reports to CEMB and Cabinet on financial and service performance 	
8a	The authority has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify areas of weakness in controls	<p>Responsibilities for the evaluation of assurances are clearly defined throughout the organisation</p>	<ul style="list-style-type: none"> • Responsibilities for key Committees contained within their terms of reference e.g. Audit committee includes corporate governance arrangements 	
8b		<p>Mechanism established for collecting governance assurances</p> <ul style="list-style-type: none"> • Overall responsibility allocated to governance senior officer group 	<ul style="list-style-type: none"> • Head of Audit & Risk Management, Head of Member Services, Head of Legal Services form core group to assess governance assurances • Assurances identified and recorded using AGS matrix • Details of where evidence is held (electronically or 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
9a	There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored	<ul style="list-style-type: none"> • Required assurances are agreed and recorded • Central record of all assurances (either evidence file, or showing clear link to where evidence is held) • Clear guidance as to evaluation procedure including assurance over risks, independence and objectivity of assurances • Defined evaluation mechanism • Timetable for completion by statutory deadline • Gap assessment – performed and challenged 	<ul style="list-style-type: none"> • manually) is recorded in the AGS matrix • Regular meetings in place between key officers and timetable agreed to meet statutory deadlines 	
10a	An Annual Governance Statement has been	An action plan is drawn up and approved	<ul style="list-style-type: none"> • AGS evidence matrix forms the basis of the action plan 	
		Responsibility for the compilation of the AGS has	<ul style="list-style-type: none"> • Head of Audit, Head of Legal Services and Head of Member Services act as core working group to 	

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Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
	drafted in accordance with the statutory requirements and timetable set out in the Accounts and Audit Regulations 2003, as revised by the A&A (amendment) (England) Regulations 2006, and is in accordance with CIPFA guidelines	been assigned	<ul style="list-style-type: none"> • compile AGS • Draft AGS presented to CEMB on 7 April 2009. 	
10b		There is an AGS production timetable that meets the statutory deadline	<ul style="list-style-type: none"> • Timetable in place and monitored by Head of audit & risk management 	
10c		The AGS is reviewed, challenged and approved by the authority	<ul style="list-style-type: none"> • Review and challenge process by CEMB and Audit Committee 	
11a	An annual report to the authority (or delegated committee) on the AGS is presented, in accordance with the CIPFA pro-forma	Responsibility for reporting is clearly defined	<ul style="list-style-type: none"> • Head of Audit & Risk Management provides draft AGS for review by CEMB, Cabinet and Audit Committee 	
11b		The signatories to the AGS and SIC are defined and are appropriate in accordance with statutory requirements (i.e. most senior officer and most senior member of the organisation)	<ul style="list-style-type: none"> • Chief Executive and Leader of the Council are signatories of AGS 	

Annual Governance Statement 2008/09 – Matrix of supporting evidence

Ref:	Key elements of the corporate governance environment:	Sources/examples of assurance:	Evidenced by:	Actions to address identified gaps in assurance or evidence
11c		The report is likely to be published in a timely fashion with the statutory accounts	<ul style="list-style-type: none"> Production of AGS in line with statutory deadlines, AGS on agendas for key meetings, no reason to assume they will not be met. 	

Management Statement of Assurance – 2008/09

Directorate	
Director/Assistant Chief Executive	
Year	2008/09

This statement has been prepared to assist in the production of the Annual Governance Statement (AGS) for Haringey Council in accordance with the requirements of the 2003 Accounts and Audit Regulations.

The assurances that I give are in the context of both the Council's overall corporate governance and management arrangements and a corporate and regulatory infrastructure set up to assist me in the delivery of my responsibilities. It is accepted that I am entitled to and do place reliance on these arrangements and the infrastructure.

I confirm that:

1. I understand the requirements of my role, as set out in, inter alia, my job description, my work plan, relevant instructions and guidance from the Council and the terms and conditions of my employment.
2. I have specific objectives and targets, which have been established through the Council's Performance Review and Appraisal system. The objectives are robust and my performance can be assessed against them. The targets are specific, measurable and achievable. I have formally agreed my objectives and targets.
3. I understand that one of my managerial responsibilities is to develop, operate and maintain effective governance and controls in all areas for which I have responsibility, in accordance with the Council's Constitution and Finance and Contract Procedure Rules. I understand that in so doing I have access to professional advice to assist me in carrying out my responsibilities.
4. I have undertaken an assessment of internal control and governance arrangements which are in operation across the department in conjunction with Business Unit Heads. The outcome of the assessment is attached to this statement. Where gaps or weaknesses in controls or governance have been identified, actions have been agreed to address these. Any significant control or governance issues which should be included in the council's Annual Governance Statement are listed in paragraph 5.

Management Statement of Assurance – 2008/09

5. Any significant control or governance issues are listed below:

Signed: _____

Date: _____



Haringey Council

Agenda item:

Audit Committee**On 2 June 2009**Report Title: **The review of the Effectiveness of the system of Internal Audit**Report authorised by: **Chief Financial Officer**

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

Tel: 020 8489 5973**Email:** anne.woods@haringey.gov.ukWards(s) affected: **All**Report for: **Non-key decision****1. Purpose of the report**

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

2. State link(s) with Council Plan Priorities and actions and/or other Strategies:

2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by reviewing key services and making recommendations for improvement where appropriate. Follow up work is undertaken to ensure that managers implement agreed recommendations and improvements.

2.2 Internal audit forms a key element within the revised Use of Resources assessment and will continue to be part of the CAA from 2009 onwards. Ensuring that internal audit complies with relevant statutory and best practice guidance in delivering their services ensures that the requirements of the CAA assessment are fulfilled.

3. Recommendations

3.1 That the Audit Committee notes the findings of the review of the effectiveness of the system of internal audit.

3.2 That the Audit Committee approves the action plan to address the identified areas for development.

<p>4. Reason for recommendation(s)</p> <p>4.1 The Audit Committee is responsible for reviewing the effectiveness of the internal audit terms service as part of its own Terms of Reference. In order to facilitate this, an independent review of internal audit's services is completed on an annual basis to ensure compliance with relevant statutory requirements and best practice guidance.</p>
<p>5. Other options considered</p> <p>5.1 Not applicable</p>
<p>6. Summary</p> <p>6.1 The internal audit service makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the authority. This report provides an independent assessment of internal audit's compliance with statutory and best practice requirements.</p>
<p>7. Head of Legal Services Comments</p> <p>7.1 The Report from Havering Council outlines no major issues regarding non compliance. The sole action point regarding a review of our audit process by the Head of Audit is a required and ongoing process already timetabled in by the Head of Audit. That commitment is to continue to be met and in so doing the sole action point coming from this April 2009 Peer Review will also be met.</p>
<p>8. Chief Financial Officer Comments</p> <p>8.1 The Chief Financial Officer notes the contents of the report and the positive outcome of the independent review of the effectiveness and overall compliance of the internal audit team and has no further comments to make.</p>
<p>9. Head of Procurement Comments</p> <p>9.1 Not applicable</p>
<p>10. Equalities and Community Cohesion Comments</p> <p>10.1 This report deals with how internal audit is provided and managed across all areas of the council. Improvements in managing risks and controls will improve services the Council provides to all sections of the community.</p>
<p>11. Consultation</p> <p>11.1 No external consultation was required or undertaken in the production of this report.</p>

Consultation is undertaken with respective service managers, Assistant Directors and Directors in the production of the annual internal audit plan, risk registers and internal audit reports and follow up programmes, which is in accordance with the requirements of the CIPFA code of practice and the Accounts and Audit Regulations.

12. Service Financial Comments

12.1 There are no direct financial implications arising from this report. The work within internal audit to comply with the CIPFA Code of Practice and Accounts and Audit Regulations is part of the contract with Deloitte and Touche which was awarded following a competitive tendering exercise in compliance with EU regulations from 1 April 2007. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. The remainder of the audit work is undertaken by in-house staff which are funded by the revenue budget.

13. Use of appendices

13.1 Appendix A – Independent report on the review of effectiveness of internal audit.

14. Local Government (Access to Information) Act 1985

14.1 List of background documents:

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

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

15. Background

15.1 Regulation 4 of the Accounts and Audit Regulations (2003) required audited bodies to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) each year with the authority's financial statements.

15.2 The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1 April 2006. Whilst many of the amendments clarify or correct elements of the 2003 Regulations, and all are relevant in relation to the operation of the internal audit function, two of the amended regulations in particular have an impact on the process for preparing the AGS, namely:

- Regulation 4 – requires the findings of the review of the system of internal control to be considered by a committee of the relevant body, or by members of the body meeting as a whole.

- Regulation 6 – requires bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4.

15.3 The requirement to review Internal Audit does not specify what the review should consist of, nor does it state who should undertake this task. However, as the Audit Committee has responsibility for approving the Annual Governance Statement (AGS), it is considered appropriate that this Committee should have responsibility for approving how the new responsibility under Regulation 6 is discharged.

15.4 This report provides the Audit Committee with references to existing procedures, sources of information and measures in place in order to assist in being able to reach a conclusion on the adequacy and effectiveness of the Internal Audit Service.

15.5 In order to assess compliance with the amended regulations, Haringey's Internal Audit service was independently reviewed. The review was based on the revised CIPFA Code of Practice for Internal Audit in Local Government which was issued in December 2006 and covered the requirements of the Accounts and Audit Regulations.

16. Existing Processes and Sources of Assurance

16.1 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.

16.2 Audit and Risk Management follow the CIPFA Code of Practice for Internal Audit in Local Government 2006 which covers the following areas:

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

16.3 In addition, members may gain assurance on the effectiveness of the system of internal audit from a number of other sources, including:

- The Constitution (overall governance arrangements)
- Management Structure (Directors Annual Assurance Statements)
- Audit Committee (terms of reference)
- Audit Commission (CPA and Use of Resources reviews)

- External Audit reports (Annual Audit and Inspection Letter)
- Annual Internal Audit Report
- Training provided (e.g. briefing sessions for Audit Committee).

17. The Independent Review

17.1 In order to comply with the Accounts and Audit Regulations, arrangements were made to carry out reciprocal peer group reviews of compliance with the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006.

17.2 Previously, Haringey Council has undertaken peer reviews with the Royal Borough of Kensington and Chelsea and Waltham Forest Council. For the review of 2008/09's work, the review process was extended to include a total of eight London boroughs: Havering; Redbridge; Tower Hamlets; Kensington and Chelsea; Waltham Forest; Barking and Dagenham; Newham; and Haringey.

17.2 The approach for the peer review was developed with reference to appropriate standards and available guidance. A Standard assessment template and guidance was used, based on the CIPFA Code and Accounts and Audit Regulations and a Terms of Reference for the review was agreed. This ensured that the approach for all authorities was consistent.

17.3 In order to reach an opinion, the Internal Audit function at Haringey was compared against the requirements of the CIPFA Code of Practice. A visit to Haringey's Internal Audit department was made by the London Borough of Havering and evidence of compliance against the CIPFA Code of Practice checklist was reviewed.

17.4 Based on the review undertaken, the Haringey's Internal Audit function was found to comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006).

17.5 The London Borough of Havering issued a report on their findings, which is attached at Appendix A. The report details the work undertaken and no high priority recommendations were made. One recommendation was made in order to fully meet the CIPFA Code of Practice and Accounts and Audit Regulations.

17.6 In order to address the one recommendation made an action plan was included within the reports at Appendix A. The recommendation has been agreed and is included below for approval.

Rec No	Recommendation	Management Response
1	The Head of Audit & Risk Management should arrange to review the quality, performance and effectiveness of the service as a whole. The results should be reported to management and the Audit Committee.	Agreed.
Rep Ref	Responsible Officer	Target Date
2.2.11	Head of Audit & Risk Management	31 st December 2009



Internal Audit

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Romford RM1 3SL
Telephone: 01708 433733
Fax: 01708 432604
email: vanessa.bateman@havering.gov.uk

Audit Reference: Peer Review 09

Date: 5th May 2009

Memo

From: Vanessa Bateman, Interim Audit Services Manager LB Havering.

To: Anne Woods, Head of Audit & Risk Management LB Haringey.

AUDIT REPORT: Review of the Internal Audit Service: London Borough of Haringey

I have recently carried out a review of your Internal Audit Service, in accordance with agreed terms of reference, to ascertain how well its working practices comply with the "CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006". I am pleased to report that there was no major issues of concern to report.

Please find attached a copy of their audit report including management action plan.

I feel that this review has been of benefit hopefully to both authorities particularly in providing further assurance in demonstrating the effectiveness of the Internal Audit function and evidencing such as part of the Annual Governance Statement process.

I should like to take this opportunity to thank you for your assistance with this process. If you have any queries on this matter, please contact me on the above number.

Vanessa Bateman
Interim Audit Services Manager



PEER REVIEW 2009

Vanessa Bateman

Date: 28th April 2009

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1. Introduction to Peer Review

1.1 Introduction

1.1.1 The Accounts and Audit (Amendment) (England) Regulations 2006 states that:

(a) An authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.

(b) The authority shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit.

1.1.2 Circular 03/2006 provided by the Department for Communities and Local Government states that the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 would be acceptable as the appropriate professional guidance to determine what is "proper practice".

1.1.3 In order to ensure that a robust review of the internal audit service has been carried out, it has been agreed that in addition to the internal reviews carried out, peer reviews would be carried out ensure that an external review has also taken place. For the 2009 review LB Haringey and LB Havering will complete the external reviews of each others self assessment.

1.2. Scope

1.2.1 The aim of the audit was to meet the following three objectives:

Objective 1: To determine and assess the performance and effectiveness of the internal audit function against professional and local standards.

Objective 2: To identify good practice and make recommendations for ensuring that the Authority's internal audit function is continuously seeking to improve its service and adds value as well as contributes to the organisations strategic objectives / priorities and the effectiveness of and internal control framework.

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

1.2.2 The "Check List – Compliance with the Code of Practice for Internal Audit 2006" formed the basis of the review. The LB Haringey provided me with a duly completed checklist and accompanying evidence pack.

2. Management Summary

2.1 Background

LB Haringey had previously completed the self assessment and peer review process in liaison with the Royal Borough of Kensington & Chelsea and Waltham Forest Council.

This years review was undertaken by referring to an evidence file provided by the Head of Audit & Risk Management and by considering the recommendations, and evidence of completion, arising from the previous review.

2.2 Summary of Findings

2.2.1 Scope of Internal Audit

The 2008 recommendation in this area relating to the regular review of the Terms of Reference for Internal Audit had been implemented and evidence was provided.

2.2.2 Independence

Evidence was provided regarding formal declarations of conflicts of interest which addressed the 2008 recommendation in this area.

2.2.3 Ethics for Internal Auditors

No issues were identified within this area.

2.2.4 Audit Committees

No issues were identified within this area.

2.2.5 Relationships

It was noted that the relationships with other regulators and inspectors had been defined in the team's procedures shortly after the last peer review.

2.2.6 Staffing, Training and Continuing Professional Development

No issues were identified within this area.

2.2.7 Audit Strategy and Planning

No issues were identified within this area.

2.2.8 Undertaking Audit Work

No issues were identified within this area.

2.2.9 Due Professional Care

No issues were identified within this area.

2.2.10 Reporting

No issues were identified within this area.

2.2.11 Performance, Quality & Effectiveness

One action in this area remains outstanding and although some preparations had been made a review of the quality, performance and effectiveness of the service as a whole is yet to be completed and reported to management and the Audit Committee.

2.3 Audit Opinion

A score of 379 has been achieved out of a possible 382 which places the review in the 'Full Compliance' category, meaning the standard has been achieved.

This report contains one medium priority recommendation.

3. Management Action Plan

Rec No	Recommendation	Management Response
1	The Head of Audit & Risk Management should arrange to review the quality, performance and effectiveness of the service as a whole. The results should be reported to management and the Audit Committee.	Agreed.
Rep Ref	Responsible Officer	Target Date
2.2.11	Head of Audit & Risk Management	31 st December 2009


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Haringey Council

Agenda item:

Audit Committee**On 2 June 2009**

Report Title: Internal Audit Service – Terms of Reference	
Report authorised by: Chief Financial Officer 	
Report of and Contact Officer: Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: anne.woods@haringey.gov.uk	
Wards(s) affected: All	Report for: Non-key decision
<p>1. Purpose of the report</p> <p>1.1 To advise Members of the changes to the Terms of Reference for the Internal Audit Service and provide an updated Terms of reference for approval.</p>	
<p>2. State link(s) with Council Plan Priorities and actions and/or other Strategies:</p> <p>2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by reviewing key services and making recommendations for improvement where appropriate. Follow up work is undertaken to ensure that managers implement agreed recommendations and improvements.</p> <p>2.2 Internal audit forms a key element within the revised Use of Resources assessment and will continue to be part of the CAA from 2009 onwards. Ensuring that internal audit has an agreed, up to date terms of reference ensure that the requirements of the CAA assessment are fulfilled.</p>	
<p>3. Recommendations</p> <p>3.1 That the Audit Committee approves the updated Terms of Reference for the Internal Audit Service.</p>	
<p>4. Reason for recommendation(s)</p> <p>4.1 The Audit Committee is responsible for approving the internal audit terms of reference as part of its own Terms of Reference. In order to facilitate this, the terms of reference for internal audit are reviewed on an annual basis to ensure compliance with relevant</p>	

statutory requirements and best practice guidance.

5. Other options considered

5.1 Not applicable

6. Summary

6.1 The internal audit service makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the authority. This report provides an updated terms of reference for the internal audit service which ensures that statutory and best practice requirements are fulfilled.

7. Head of Legal Services Comments

7.1 The report clearly outlines the Terms and References we must adhere to in relation to local government internal auditing to comply with the revised Code published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2006. Regular monitoring and updates; as overseen and provided by the Head of Audit and also provided by a Peer to ensure compliance with those Terms of Reference is undertaken throughout the year.

8. Chief Financial Officer Comments

8.1 The Chief Financial Officer notes the contents of this report and has no further comments to make.

9. Head of Procurement Comments

9.1 Not applicable

10. Equalities and Community Cohesion Comments

10.1 This report deals with how internal audit is provided and managed across all areas of the Council. Improvements in managing risks and controls will improve services the Council provides to all sections of the community.

11. Consultation

11.1 No external consultation was required or undertaken in the production of this report. Consultation is undertaken with respective service managers, Assistant Directors and Directors in the production of the annual internal audit plan, risk registers and internal audit reports and follow up programmes, which is in accordance with the terms of reference for internal audit.

12. Service Financial Comments

12.1 There are no direct financial implications arising from this report. The work within internal audit to comply with the terms of reference is part of the contract with Deloitte and Touche which was awarded following a competitive tendering exercise in compliance with EU regulations from 1 April 2007. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. The remainder of the audit work is undertaken by in-house staff which are funded by the revenue budget.

13. Use of appendices

13.1 Appendix A – Terms of reference

14. Local Government (Access to Information) Act 1985

14.1 List of background documents:

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

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

15. Background

15.1 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.

15.2 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.

15.3 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.

15.4 Local government organisations should comply with the requirements set out in the Code. Haringey tests internal audit's compliance with the Code as part of the annual independent review of the effectiveness of internal audit. A separate report is provided to the Audit Committee detailing the process and outcome of this review.

15.5 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. In Haringey, The Audit Committee reviews and approves the TOR for Internal Audit services on an annual basis to ensure that they comply with relevant statutory requirements.

16. CIPFA Code of Practice

16.1 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.

16.2 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.

17. Terms of Reference.

17.1 The updated 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. During 2008/09, no changes were made to the CIPFA Code of Practice, therefore the Terms of Reference are still compliant with the Code. The Terms of Reference have been updated to incorporate changes:

- in terminology – changing the Statement of Internal Control to the Annual Governance Statement; and
- where updates in the Council's Constitution have required changes to references.

17.2 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).

17.3 The Terms of Reference will be reviewed on an annual 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.

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 5.56). 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 areas for review.

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 on a risk based approach, 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. The roles and responsibilities of managers are set out in the Council's Constitution (Part 4, Section I). 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 5.56).

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.

Internal Audit provides the internal audit service for Homes for Haringey (HfH) and has a formal Service Level Agreement (SLA) setting out the terms of reference and access rights for the service. The SLA is reviewed and formally agreed on an annual basis with HfH.

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 provided to Audit Committee members on a monthly basis, with a summary report 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.



Haringey Council

Agenda item:

[No.]**Audit Committee****On 2 June 2009**Report Title: **Annual Audit Report and Assurance Statement 2008/09**Report authorised by: **Chief Financial Officer**

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

Tel: 020 8489 5973**Email:** anne.woods@haringey.gov.ukWards(s) affected: **All**Report for: **Non-key decision****1. Purpose of the report**

1.1 To inform Members of the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2008/09 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. State link(s) with Council Plan Priorities and actions and/or other Strategies:

2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by reviewing key services and making recommendations for improvement where appropriate. Follow up work is undertaken to ensure that managers implement agreed recommendations and improvements.

2.2 Internal audit forms a key element within the revised Use of Resources assessment and will continue to be part of the CAA from 2009 onwards. The reports to both managers and the Audit Committee on progress against the agreed audit plan and the implementation of audit recommendations ensure that the requirements of the CAA assessment are fulfilled.

3. Recommendations

3.1 That the Audit Committee notes the content of the annual audit report and assurance statement for 2008/09.

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

4. Reason for recommendation(s)

4.1 The Audit Committee is responsible for receiving the annual internal audit report as part of its Terms of Reference. In order to facilitate this, the Head of Audit's annual report and assurance statement is provided for review by the Audit Committee.

5. Other options considered

5.1 Not applicable

6. Summary

6.1 The internal audit service makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the authority. This report looks at the sources of assurance and results of internal audit work completed during 2008/09.

6.2 The information has been compiled from information held within Audit & Risk Management and from records held by business units across the Council.

7. Head of Legal Services Comments

7.1 The Annual Audit Report and Assurance Statement for 2008/09 summarises the extensive number of reviews and audits undertaken within the Council and re-confirms that, as a Council, in 2008/09, we worked within the Terms of Reference as previously agreed by committee. In action points as a result of audits have been duly identified and action plans set in place together with monitoring of adherence to action plans by the Head of Audit. All other legal comments are contained within the body of this Report.

8. Chief Financial Officer Comments

8.1 The Chief Financial Officer notes the contents of this report and has no additional comments to make.

9. Head of Procurement Comments

9.1 Not applicable

10. Equalities and Community Cohesion Comments

10.1 This report deals with how risks to service delivery are managed across all areas of the council, which have an impact on various parts of the community. Improvements in managing risks and controls will therefore improve services the Council provides to all sections of the community.

11. Consultation

11.1 No external consultation was required or undertaken in the production of this report. Consultation has been undertaken with respective service managers, Assistant Directors and Directors in the production of internal audit reports which form part of the sources of assurance for this report.

12. Service Financial Comments

12.1 There are no direct financial implications arising from this report. The work completed by Deloitte and Touche in 2008/09 is part of the five year contract which was awarded following a competitive tendering exercise in compliance with EU regulations from 1 April 2007. The costs of this contract, along with all other costs to provide an internal audit service, are contained and managed within the Audit and Risk Management revenue budget.

13. Use of appendices

13.1 Appendix A – Internal audit summary of work 2008/09

14. Local Government (Access to Information) Act 1985

14.1 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

15. Background

15.1 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.'*

15.2 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.

- 15.3 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.
- 15.4 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.
- 15.5 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.'
- 15.6 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.

16. Basis of assurance

- 16.1 The Head of Audit and Risk Management's opinion is derived from work completed during 2008/09 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.
- 16.2 The internal audit plan for 2008/09 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.
- 16.3 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.
- 16.4 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.

17. Overall Audit Opinion 2008/09

- 17.1 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.

17.2 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 2009 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.

18. Assurance from the work of Internal Audit

18.1 During 2008/09, Internal Audit undertook 115 planned reviews including school and establishment visits, 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.

18.2 Internal Audit were satisfied with management responses in those areas which had received a 'limited' assurance rating. In addition, detailed monitoring was undertaken during 2008/09 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 2009, 95% of all Priority 1 recommendations had been fully addressed and action was being taken to address the remaining 5%. Internal Audit were satisfied with the responses from management on this area of follow up work.

18.3 A detailed report on the work of Internal Audit is attached at Appendix A to this report.

19. Assurance on Corporate Governance

19.1 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 Local Code of Corporate Governance, which codifies the Council's governance arrangements, was reported to the Audit Committee in May 2008 and approved by Full Council in July 2008. The arrangements which support the Local Code of Corporate Governance have been in place and operating effectively for a number of years.

19.2 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.

19.3 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.

19.4 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.

19.6 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.

19.7 Corporate governance is effective in most areas across the Council. The main areas for action were included within the AGS and relate to:

- Ensuring that the recommendations in the Joint Area Review (JAR) action plan are addressed and implemented;
- Ensuring that the recommendations in relation to the independent review of Treasury Management arrangements and revised CIPFA guidance are implemented;
- Ensuring that data quality arrangements are robust.

20. Assurance on Risk Management

4.2 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 2008/09, 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. During 2008/09, work began on implementing an electronic performance management system which will further improve links between performance management information and risk management.

4.3 Regular reports to managers and members during 2008/09 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.

4.4 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.

- 4.5 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.
- 4.6 During 2008/09, a formal risk management strategy was approved and implemented by the Haringey Strategic Partnership (HSP). Internal Audit worked with the Thematic Boards and the Performance Management Group to provide advice and guidance on risk management. As a result, all HSP Thematic Boards have developed risk registers which are aligned to the Local Area Agreement's key performance indicators and output measures.
- 4.7 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. Risk management arrangements comply with the corporate policy and strategy: all business units and directorates have risk registers in place; corporate project management arrangements are in place, although internal audit has highlighted some areas of non-compliance as part of the annual internal audit programme of work and made recommendations to improve systems and processes; corporate health and safety policies are in place which have been subject to review during 2008/09 and action plans put in place where gaps in compliance were identified to ensure all departments fully comply with requirements; and business continuity plans are in place across all departments. A corporate steering group has been put in place to ensure that risk management 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 inspectors.
- 10.2 In 2008/09 the Council's external auditors, Grant Thornton, completed their annual assessment for the Use of Resources, including financial standing, financial reporting, financial management and internal control. Their conclusion was that the Use of Resources assessment reflected improvement in several areas, including and overall score increase from 2 to 3 for the Financial Reporting theme. 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 for 2008/09 reflects the serious problems identified within the Children and Young People's Service in November 2008 which, given the additional weighting in the overall scoring this service has, gives the Council an overall star rating of 1 under the Comprehensive

Performance Assessment (CPA) framework. Within the CPA scorecard it is recognised that other services are performing well, with 3 out of 4 ratings for: value for money; environmental services; adult social care; benefits; and housing. Cultural Services received a rating of 4 out of 4.

10.4 During 2008/09 a separate review of probity and propriety arrangements across the Council was completed by Grant Thornton and reported to the Audit Committee in February 2009. No serious weaknesses in the Council's processes or systems were identified, although a number of 'best practice' recommendations were made. An agreed action plan is in place to ensure that these are addressed.

10.5 The Office of the Surveillance Commissioners (OSC) also inspected the council's policies and procedures relating to Part 1, Chapter 2 of the Regulation of Investigatory Powers Act 2000 (RIPA) in March 2009. The OSC 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 2009, a review of the effectiveness of the Council's internal audit arrangements in place during 2008/09 was completed by the London Borough of Havering. 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, has been 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 2008/09

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 2008/09 a total of 114 projects, including schools and social services establishment visits, formed the annual audit plan. Resources to assist departments with the development and implementation of Financial Management Standards in Schools, corporate anti-fraud, risk management and project management arrangements were also delivered, although no reports are issued in these areas. Resources to complete follow up work are also included in the annual audit plan. The results of the follow up reviews are reported separately to the Audit Committee, although no individual reports are issued.
- 1.4 In addition, requests for additional audit work were made during 2008/09 and a further project was completed. Including follow up work completed and resources to support work which did not result in a formal report, Deloitte delivered 95% (1092 days) of the planned audit programme of 1150 audit days by 31 March 2009, which is in accordance with the contract and the local performance indicators agreed.

1.5 Four projects (40 days) were deferred until 2009/10 by agreement with service management. A summary of the outputs of the remaining project work completed by 31 March 2009, against the planned work is shown at Table 2 below. Of the 114 projects, 100 had been completed to draft or final report stage by 31 March. Fourteen projects were either in progress at 31 March, or deferred by agreement with service management.

Table 2 – Planned project work vs. actual completion rates

	Number of projects planned	Number of final reports issued	Number of draft reports issued	%
Key systems	12	8	4	100%
Other systems	55	30	12	76%
Establishments – including spot checks	13	13	0	100%
Schools	33	28	4	85%
Additional projects	1	1	0	100%
Total	114	80	20	88%

1.6 Internal Audit performs reviews of the Council's key systems on an annual basis. This is completed in agreement with Grant Thornton, the council's external auditors 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.

1.7 The assurance levels provided for the key systems work is shown in Table 3 below. Four reports are still to be finalised for 2008/09 although it is anticipated that a substantial assurance rating will be provided. For comparison purposes, the assurance levels for 2005/06 and 2006/07 are also included.

Table 3 – key systems assurance ratings

Assurance level	2006/07	2007/08	2008/09
Full	1	1	2
Substantial	10	11	10
Limited	1	0	0
Nil	0	0	0
Total	12	12	12

1.8 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.

- 1.9 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 2008/09 is recorded in Table 4 below.
- 1.10 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 customer evaluation questionnaires received during 2008/09 was 3.88, on a scale where 1 is low and 5 is high.

Table 4 – Local performance measures

Performance indicator	Actual	Target
Audit work completed against the planned programme (Deloitte)	95%	95%
Time taken to complete investigations by in-house staff (2008/09 referrals)	14.5 weeks	12 weeks
Priority 1 recommendations implemented at follow up	95%	95%
User satisfaction (1 low, to 5 high)	3.88	3.75

- 1.11 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 2008/09, a total of 25 investigations were undertaken 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 2006/07 and 2007/08 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 25 cases investigated, 20 were concluded within the 2008/09 financial year and 5 were carried forward into 2009/10.

Table 5 – Investigations by department

Department	Investigations 2006/07	Investigations 2007/08	Investigations 2008/09
Chief Executive – POD	0	0	0
Chief Executive – PPPC	3	0	1
Corporate Resources	9	4	4
Children and Young People's Service	7	7	7
Adults, Culture and Community Services	5	6	6
Urban Environment	7	8	7
Total	31	26	25

- 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, which was reviewed and updated in 2008/09. 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 2008/09, 43 referrals were made via the Council's email reporting facility. Of these, 19 were not fraud related and were referred on to the relevant department in order for the issue to be dealt with; 4 related to Complaints rather than fraud and were passed on to the relevant department for further action; 1 related to data protection subject access request and was passed on to the relevant department for further action; 12 were in relation to housing benefit/council tax issues; 1 related to planning and enforcement issues; 4 related to tenancy/occupancy fraud; and 2 were requests for information from other agencies.



Haringey Council

Agenda item:

Audit Committee**On 2 June 2009**Report Title: **Audit Committee Draft Work Plan 2009/10**Report authorised by: **Chief Financial Officer**

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

Tel: 020 8489 5973**Email:** anne.woods@haringey.gov.ukWards(s) affected: **All**Report for: **Non-key decision****1. Purpose of the report**

1.1 To inform Members of the Committee's proposed annual work plan for the 2009/10 municipal year.

2. State link(s) with Council Plan Priorities and actions and/or other Strategies:

2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by reviewing key services and making recommendations for improvement where appropriate. Follow up work is undertaken to ensure that managers implement agreed recommendations and improvements.

2.2 Internal audit forms a key element within the revised Use of Resources assessment and will continue to be part of the CAA from 2009 onwards. Ensuring that the Audit Committee fulfils its agreed terms of reference ensures that the requirements of the CAA assessment are fulfilled.

3. Recommendations

3.1 That the Audit Committee approves the annual work plan for 2009/10 and makes recommendations to include any further reports or pieces of work which Members consider appropriate.

4. Reason for recommendation(s)

4.1 The Audit Committee is responsible for a number of non-executive functions as part of its terms of reference. In order to ensure that the Committee fulfils its terms of reference, a draft work programme is provided for approval and to demonstrate

appropriate coverage across its functions.
<p>5. Other options considered</p> <p>5.1 Not applicable</p>
<p>6. Summary</p> <p>6.1 The Audit Committee makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the authority. This report provides a draft work plan for the Audit Committee in the 2009/10 municipal year which ensures that statutory and best practice requirements are fulfilled.</p>
<p>7. Head of Legal Services Comments</p> <p>7.1 The timetable of the Draft Work Plan provides dates for reporting by the Audit Committee to conform with statutory and best practice requirements. Much of those timed in are updates and progress reports; however, when required, consultation is to continue to take place ensuring adequate time for full representations to be provided and considered is given.</p>
<p>8. Chief Financial Officer Comments</p> <p>8.1 The Chief Financial Officer notes the contents of this report and has not further comments to make.</p>
<p>9. Head of Procurement Comments</p> <p>9.1 Not applicable</p>
<p>10. Equalities and Community Cohesion Comments</p> <p>10.1 This report deals with how the Audit Committee fulfils its terms of reference and the work which supports that as part of the annual planning process. Improvements in managing risks and controls will improve services the Council provides to all sections of the community.</p>
<p>11. Consultation</p> <p>11.1 No external consultation was required or undertaken in the production of this report. Consultation is undertaken with respective service managers, Assistant Directors and Directors in the production of the annual work plan prior to its presentation at the Audit Committee meeting.</p>

12. Service Financial Comments

12.1 There are no direct financial implications arising from this report. The work to support the Audit Committee's work plan is contained within the revenue budgets of Audit & Risk Management and other service departments.

13. Use of appendices

13.1 Appendix A – work plan 2009/10

14. Local Government (Access to Information) Act 1985

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

15. Background

15.1 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. Members wanted to ensure that the Audit Committee was a useful tool for the Council and that it adequately fulfilled its agreed terms of reference.

16. Audit Committee annual work plan

16.1 Providing a draft annual work plan for 2009/10 will ensure that Members:

- Have a specific timetable and agenda for the Committee in advance;
- Have adequate information on which agenda items were statutory, best practice, or ad hoc; and
- Have a clear understanding of how the Audit Committee ensures appropriate coverage to fulfil its terms of reference.

16.2 Therefore, a draft work plan for the 2009/10 municipal year is provided for review and approval 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.

16.3 Members are asked to review the work plan and recommend any further reports and/or pieces of work which they consider appropriate at this time.

Audit Committee – 2009/10 Draft Timetable and Agenda

Date of Committee Meeting	Internal Audit agenda item	Other service agenda item	Statutory (S)/ Best Practice (BP)/ Ad hoc (AH)	Audit Committee Terms of Reference
3 June 2009	Annual Internal Audit Report and Head of Audit Opinion		BP	Audit Activity (i)
	Internal Audit – updated Terms of Reference		BP	Audit Activity (j)
	Audit Committee – draft annual work plan		BP	Audit committee purpose
	Internal audit – annual review of effectiveness (peer review)		BP	Audit Activity (k)
	Annual Governance Statement – draft statement and supporting evidence		S	Corporate Governance (b, c)
30 July 2009	Internal audit - 1 st quarter progress report		BP	Audit Activity (l, m)
	Risk Management – update		BP	Risk Management (h)
	Whistleblowing – report on implementation and use 2008/09		BP	Corporate governance (d)
	Audit Committee – Draft Report to Full Council on the work of the committee in 2008/09		BP	Audit Activity (t)
		External Audit – progress report	BP	Audit Activity (r)
		Housing Benefits – 1 st quarter progress report on counter fraud activity	BP	Corporate Governance (d)

Audit Committee – 2009/10 Draft Timetable and Agenda

Date of Committee Meeting	Internal Audit agenda item	Other service agenda item	Statutory (S)/ Best Practice (BP)/ Ad hoc (AH)	Audit Committee Terms of Reference
		External Audit – Annual audit and inspection letter 2008/09	S	Audit Activity (q)
		Annual statement of accounts	S	Accounts (w)
5 November 2009	Internal audit - 2 nd quarter progress report		BP	Audit Activity (l, m)
	Risk Management – update		BP	Risk Management (h)
		External Audit – progress report	BP	Audit Activity (r)
		Housing Benefits – 2 nd quarter progress report on counter fraud activity	BP	Corporate Governance (d)
1 February 2010	Internal audit - 3 rd quarter progress report		BP	Audit Activity (l, m)
	Risk Management – update		BP	Risk Management (h)
		External Audit – Use of Resources auditor judgements	S	Audit Activity (q)
		Chief Financial Officer – Use of Resources action plan	BP	Audit Activity (q)
		Housing Benefits – 3 rd quarter progress report on counter fraud activity	BP	Corporate Governance (d)
29 April 2010	Internal audit - 4 th quarter progress report		BP	Audit Activity (l, m)
	Annual Internal Audit Plan and internal		BP	Audit Activity (j)

Audit Committee – 2009/10 Draft Timetable and Agenda

Date of Committee Meeting	Internal Audit agenda item	Other service agenda item	Statutory (S)/ Best Practice (BP)/ Ad hoc (AH)	Audit Committee Terms of Reference
	audit strategy			
	Draft Annual Governance Statement and supporting evidence		S	Corporate Governance (b, c)
	Risk Management – update and review of corporate risk register and risk management policy		BP	Risk Management (g, h)
	Internal audit - Annual review of effectiveness (peer review)		BP	Audit Activity (k)
		Report on Accounting Policies	BP	Accounts (w)
		External Audit – Annual audit & inspection letter	S	Accounts (x)
		External Audit – progress report	BP	Audit Activity (r)
		Housing Benefits – 4 th quarter progress report on counter fraud activity	BP	Corporate Governance (d)