

**MINUTES OF THE AUDIT COMMITTEE
MONDAY, 1 FEBRUARY 2010**

Councillors Khan (Chair), Diakides, Meehan, Demirci, Butcher and Dobbie

Apologies Councillors Gorrie and Mughal

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRAC139.	<p>APOLOGIES</p> <p>Apologies for absence were received from Cllr Mallett, for whom Cllr Demirci was acting as substitute.</p> <p>Apologies for absence were also received from Cllrs Gorrie and Mughal.</p>	
PRAC140.	<p>URGENT BUSINESS</p> <p>The Committee expressed concern that the meeting was being held in a room which was not fully accessible to members of the public and asked that all future meetings be held in a more suitable venue.</p>	
PRAC141.	<p>DECLARATIONS OF INTEREST</p> <p>There were no declarations of interest.</p>	
PRAC142.	<p>MINUTES</p> <p>RESOLVED</p> <p>That the minutes of the meeting held on 5 November 2009 be approved and signed by the Chair.</p>	
PRAC143.	<p>DEPUTATIONS AND PETITIONS</p> <p>There were no such items.</p>	
PRAC144.	<p>GRANT THORNTON PROGRESS REPORT</p> <p>Paul Hughes, Grant Thornton, introduced the report on audit progress. It was reported that a meeting in preparation for the 2009/10 accounts audit was scheduled for 10 February 2010 and that a draft timetable for the Use of Resources had been agreed with officers.</p> <p>In response to a question from the Committee regarding how the Council could make audit processes more successful in future, particularly in relation to interim visits, Grant Thornton reported that the process had worked very well in the previous year, and that it was hoped that this success would be repeated in the current year. In response to a question from the Committee, Grant Thornton confirmed that the Council's audit had been completed on time but that the authorities singled out for</p>	

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	<p>mention in the Audit Commission publicity were those who had completed very early and had evolved their processes for a number of years with a higher level of resources to enable their audits to be completed at an early stage.</p> <p>RESOLVED</p> <p>That the content of the report be noted.</p>	
<p>PRAC145.</p>	<p>GRANTS REPORT 2008/09</p> <p>Graham Oliver, Corporate Finance, introduced Grant Thornton's Grants Report 2008/09. It was reported that good progress had been made on the relevant performance indicators and that this was reflected in the decrease in fees payable. Further improvements were still required, and the management responses to the recommendations made by Grant Thornton were attached to the report. Paul Hughes, Grant Thornton, advised that the report showed an improvement and that the number of claims qualified by the auditor had decreased on the previous year, which was positive. The data quality issues identified had been raised with the Committee previously. It was reported that the number of qualified claims at Haringey was broadly in line with other London Boroughs audited. In respect of the issues identified in relation to Housing and Council Tax Benefit, it was reported that management were aware of these issues, and that the actions being undertaken to address them were encouraging.</p> <p>The Committee expressed concern at the scale of some of the issues identified, and asked why these issues had not been picked up internally rather than by the external auditor. Ian Biggadike, Benefits and Local Taxation, reported that a new, more robust quality assurance process had been introduced and that a compliance team had been established to focus on quality checking. New software had also been brought in to flag up any errors, and where an error had been identified, all the work by the officer concerned was data-checked. Mr Biggadike also reported that new training had been introduced for Benefits and Local Taxation staff. It was noted that there was a national issue in relation to data quality, due to the complexity of this area of work.</p> <p>The Committee commented that errors in Benefits led to a very direct impact on individual residents, and asked why these issues had not been flagged up by complaints from residents. The Chief Financial Officer reported that quality assurance procedures had been in place, but that these had not focused sufficiently on areas such as performance indicators, and this was now being addressed. There had been no direct impact on residents. Mr Biggadike reported that the main issue identified was that of start dates. A test for staff on the issues identified had been introduced, and anyone failing the test would require all their assessments to be signed off by another officer to ensure accuracy.</p> <p>The Committee asked whether the cost of revenue lost as a result of errors had been calculated, in response to which the Chief Financial</p>	

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	<p>Officer reported that the final amendment to the claim had been calculated at around £18k. The Committee expressed surprise that this amount appeared small compared to the scale of the problems that had been identified, in response to which it was reported that this was due to the nature of the errors, many of which did not have a direct financial impact. The Committee noted that Members dealt with a number of cases relating to errors in benefits payment as part of their case-load, and emphasised that the Council should be getting things right first time, every time. It was reported that a lot of information that could prevent errors being made was freely available to officers and should be used to cross-reference in a systematic way, for example in relation to single person discount claims. Mr Biggadike reported that a full review of the single person discount had been completed and the Chief Financial Officer reported that all discounts had been reviewed in February 2009, and that this had now been introduced as an annual exercise.</p> <p>The Chair noted that the report showed some improvement in relation to three of the five performance indicators, but that further improvement was necessary, particularly in relation to claims amended. Officers provided assurance that action was being taken to address the issues identified, and it was anticipated that next year's Grant Report would show that the problems identified this year had been addressed.</p> <p>Taking into account the concerns raised by the Committee and the responses provided by officers it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the management responses contained in the action plan be agreed. ii) The progress against the action plan be reviewed by the Committee in 6 months. 	
<p>PRAC146.</p>	<p>EXTERNAL AUDIT PLAN 2009/10</p> <p>Paul Dossett, Grant Thornton, presented the audit plan for 2009/10, and reported that from 2009/10 the Audit Commission had introduced an approach whereby an indicative audit fee was agreed before the year began and that a more detailed audit plan was then compiled, including the audit of the accounts work and the Use of Resources audit. The report set out the issues that had arisen since the indicative fee had been agreed by the Committee, of which data quality was a key area. As a result of the issues relating to data quality it was reported that a significant increase in audit work on data quality would be required to ensure that robust arrangements were in place. As a result of the issues identified during the year, the fee for 2009/10 had increased from £505k to £515k. It was reported that the indicative fee for Haringey had been above the Audit Commission's scale fee as a result of Use of Resources issues; it was anticipated that the indicative fee for 2010/11 would demonstrate a reduction in the previous year's fee, but this would depend on the outcome of the Use of Resources audit.</p>	

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	<p>The Committee expressed concern at the increase in fee set out in the report, and asked how much of the workload generated by the issues identified had been over and above the expectations of the audit workload anticipated at the start of the year. Mr Dossett explained that the Audit Commission established a scale fee, and expected auditors to set a fee based on the scale fee on the basis that areas of higher risk led to higher fees. It was reported that Haringey was an authority with a relatively high risk in relation to Use of Resources, which had led to the initial indicative fee being higher than the scale fee. It was reported that auditors had to justify the fees they had set to the Audit Commission, and that the Audit Commission would look at the level of risk. It was hoped that it would be possible for the fee for 2010/11 to be reduced.</p> <p>In response to a question from the Committee regarding the fee for previous years, Mr Dossett reported that the fees for 2007/08 and 2008/09 had been the same, but that there had been a 4-5% increase from 2008/09 to 2009/10. The Committee requested information on the additional work carried out in order to justify the increase on the indicative audit fee for 2009/10 that had been agreed.</p> <p>The Chair asked what significant issues the auditor anticipated as a result of the transition to IFRS accounting, in response to which Mr Dossett advised that while 2010/11 would be the first year in which IFRS would be introduced, the Council would be required to provide comparative data for 2009/10. Grant Thornton were working with the Council to assist with preparation for the transition to IFRS. The Chair emphasised the need for the Committee to be provided with a breakdown of the additional work that justified the increase in fee. In response to a question from the Chair regarding the proposed increase in fee for 2009/10 to £515k, the Chief Financial Officer reported that the issues identified had increased the audit work and so the proposed increase was understandable.</p> <p>RESOLVED</p> <p>That, subject to the Committee being provided with evidence of the additional work as a result of which an increased fee had been proposed, the proposed audit plan and fees for 2009/10 be approved.</p>	
<p>PRAC147.</p>	<p>TACKLING HEALTH INEQUALITIES IN HARINGEY - FOLLOW UP REPORT</p> <p>Paul Hughes, Grant Thornton, presented the Tackling Health Inequalities in Haringey report, which was a follow up report to an issue considered by the Committee in June 2008. The report set out how the Council and PCT were working together on Health Inequalities, and reported progress against the action plan. It was reported that 8 of the 11 recommendations in the action plan had been implemented by the deadline, and that a further follow up would be carried out to check that the outstanding actions had been implemented, although the initial deadlines for these had already expired. The Chair noted that Health Inequalities was of concern to every individual, and that the Overview</p>	

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	<p>and Scrutiny Committee was increasing its involvement in this area. It was noted that this was a follow up report to a report that had been considered by the Committee in 2008, and that it was essential for all the actions in the action plan that had been agreed at the time to be implemented.</p> <p>The Committee expressed concern that some of the actions had not been implemented after two years, and questioned the effectiveness of an action plan if it was not being followed. It was noted that partnership working could lead to some issues with progress, and that all the auditor could do was to monitor the progress made, and highlight where this was unsatisfactory. The Committee requested that the responsible officer attend the meeting of the Audit Committee on 25 March 2010 to explain the reasons for the progress made, and it was noted that this would be the Joint Director of Public Health.</p> <p>RESOLVED</p> <p>That the Joint Director of Public Health attend the meeting of the Audit Committee on 25 March 2010 to explain the progress made in the area of Health Inequalities.</p>	
<p>PRAC148.</p>	<p>JAR ACTION PLAN UPDATE</p> <p>Mark Gwynne, JAR Programme Manager, presented the report on progress in delivery of the Safeguarding Plan up to the month of December. It was reported that progress was being made and that there was an emphasis on quality of work. The milestones were largely based on building sound foundations to allow further improvements, with a key emphasis on staff stability and increasing capacity. Ofsted had carried out a follow up visit in January 2010 and would provide a progress update later in February 2010, although this would not affect the Council's CAA rating for the current year.</p> <p>The Committee expressed concern that only one in four initial assessments were being completed within the target of 7 days, and that only four in ten core assessments were being completed within 35 days. Mr Gwynne reported that although the targets were not yet being met, a far larger proportion of assessments were now being completed just outside of target time and that risk management of assessments was much more robust than previously, so that all cases were risk assessed and reviewed regularly, ensuring that priority cases were dealt with in a timely manner.</p> <p>The Committee noted that staffing issues had been identified as a key problem in the past, and expressed concern that despite an increase in resources available and management attention, progress was still not being seen to be made. The Committee expressed concern that lives could be put at risk by any delays in assessments, and that the progress reported demonstrated that there were still issues to be addressed. The Committee noted that it was useful to know that a high proportion of assessments were being completed just outside the target timescales,</p>	

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and felt that it might have provided some reassurance for this to be included within the report. The Committee also noted that no information had been provided on how many social workers who had been in post 15 months ago were still employed with the Council, and how many had moved on.

Mr Gwynne reported that information on the number of assessments being completed within 10 days would be provided to Committee Members outside the meeting. While the Service was working to meet the 7 day target, it was reported that the focus was on getting things right. The Committee was assured that all cases were being risk assessed and that at-risk cases were being assessed within the target timeframe. It was reported that the focus had to be on the children involved and not on performance indicators.

The Committee discussed the need for all staff in Children's Services to be fully trained to perform their roles to a high quality. It was reported that investment in training and qualifications for staff had increased, and that there had been active recruitment for social worker positions, with some staff turnover. Enhanced training had been introduced within the Council and Local Safeguarding Children's Board.

The Chair questioned the use of the phrase 'wherever possible' in the priority expressing commitment to provide support and protection to the most vulnerable people in the community. It was reported that the intention was to protect everybody, but that no 100% assurance that this would be possible could be provided. The Chair expressed concern that it should be in the mission statement that all people would be safeguarded from abuse and neglect. The Chair asked about the safeguarding plan steering group, whether minutes of its meetings and follow up actions were produced, and who was monitoring its work. Mr Gwynne reported that the steering group, members of which included the Chief Executive of the Council, the Chief Executive of NHS Haringey and the Borough Commander, met fortnightly and that minutes were produced and progress reported to the Chief Executive's Management Board and the Children's Trust Executive Performance Management Group. The steering group was chaired by the Director of the Children and Young People's Service. In response to a question from the Committee, it was reported that elected Members saw the minutes of the steering group at the Children's Trust Executive Performance Management Group.

The Chair asked why the full safeguarding plan had not been included in the report to the Committee for better understanding of the subject. It was reported that the full list of milestones was included in the report, but that that the full text of the safeguarding plan would also be made available to the Committee. The Chair asked whether Mr Gwynne felt that the list of milestones would enable progress that would assure elected Members that they were fully meeting their responsibilities and duties in relation to safeguarding to the best of their abilities, in response to which Mr Gwynne confirmed that the milestones flowed from the JAR action plan updated with the recommendations made by Ofsted in June

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2009 and that it was felt both internally and by Ofsted to be the right things that are being focused on and to be progressing at a suitable pace. It was felt that it would be for the Director of the Children and Young People's Services to provide his opinion on whether these milestones would enable Members to fulfil their duties in relation to safeguarding, and the Committee expressed regret that the Director had not been able to attend the meeting. The Chair noted that there had been 7 themes reported in February 2009, and that there were now 5, in response to which Mr Gwynne confirmed that 2 of the original themes had now been included within the remaining 5 enabling greater focus and easier communication of the key messages.

The Chair referred to the Annual Audit and Inspection Letter, considered by the Committee in July 2009, in which the Audit Commission had raised the issue of teenage pregnancy rates. It had been recorded and confirmed by the Chief Executive that teenage pregnancy rates would be addressed in the action plan, yet the Chair noted that none of the milestones in the report referred to this issue, and asked why. Mr Gwynne reported that the Safeguarding Plan, as the refreshed JAR action plan, focused solely on safeguarding issues, and that the issue of teenage pregnancy rates was addressed by other action plans within the Council and partnership bodies. The Chair expressed concern that there seemed to be a lack of co-ordination within the Council in respect of this issue.

In response to a question from the Chair regarding the approach to risk management, Mr Gwynne reported that the Council's standard risk management approach had been adopted and that risks were monitored on a monthly basis and reported to CEMB. The Chair asked whether the Council was asking for increased funding from Government in response to the increased demand on safeguarding services, in response to which Mr Gwynne reported that some additional funding had been received, and that further bids had been submitted. It was reported that significant work was being done in the area of early intervention and prevention, which should in time reduce the demand on Children's Services as more cases would be picked up and addressed before reaching the referral stage. The Chair noted that the Council was being asked to take on a greater responsibility within limited resources, and that additional funds would be required from Government. The Chief Financial Officer reported that the Children and Young People's Service had received additional funding for one-off improvements but that it had been indicated that there would be no increase in funding on an ongoing basis, further to a request from the Leader in response to the Council's grant settlement from the Government. The Chair noted that it was important that the Council not be penalised for the increasing responsibility it was taking on, in response to which the Chief Financial Officer advised that the Council had to manage its responsibilities within the resources available, and that safeguarding was a key priority within this.

The Chair asked whether the Chief Financial officer felt that the report provided an accurate picture of progress on the JAR action plan, in

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	<p>response to which the Chief Financial officer confirmed that this was the case.</p> <p>Cllr Butcher moved an amendment to the recommendations of the report, which was seconded by Cllr Dobbie. In discussion of the amendment, it was noted that Cabinet Members were not routinely invited to Audit Committee to speak on reports relating to their portfolio, although Cabinet Members could be invited to attend the Committee to address specific issues. The Committee agreed that the Cabinet Member should be asked to attend the next meeting of the Audit Committee to discuss progress against the JAR action plan. It was also noted that it was not normal procedure for Cabinet Members to sign off reports for Audit Committee. The amended recommendation was agreed by the Committee and it was:</p> <p>RESOLVED</p> <p>That the Committee note with concern the performance indicators on the safeguarding plan and request the Cabinet Member responsible to attend to answer questions at the next Audit Committee to explain the limited progress.</p>	
<p>PRAC149.</p>	<p>DATA QUALITY - UPDATE REPORT</p> <p>Wayne Longshaw, Assistant Chief Executive, Policy, Performance, Partnership and Communication, presented the report on the work being done to improve data quality across the council. It was reported that a series of workshops were being held with managers to improve data quality and to progress the data quality strategy.</p> <p>The Committee asked for information on the outcome of the data quality audits completed during 2009, and asked on what basis it was being judged that good progress had been made overall. Mr Longshaw reported that in the most recent data quality audit carried out in Children's Services, a data sample of 300 cases had been looked at to give an indication of whether progress was being made. It was reported that the progress of the department had been positive, and that no major concerns had been identified as a result of the audit. It was also reported that no data quality concerns had been raised by Ofsted inspectors during their most recent visit. Mr Longshaw reported that the Council was working with the auditors and that an independent assessment and testing of data quality would be carried out. It was anticipated that the CAA rating in the area of data quality would improve, but that the outcome of the assessment would not be known until later in the year.</p> <p>In response to a question from the Committee, Mr Longshaw reported that sampling was being undertaken and that this was being focused on the areas where it was recognised that there was a particular risk, in Children's Services and Benefits. Members welcomed the practice of random sampling and not just reliance on processes, and encouraged that more sampling be undertaken. The Committee requested information on the outcome of the 300 data samples from Children's</p>	

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	<p>Services, referred to earlier, so that the Cabinet member responsible could talk the Committee through the findings and to clarify the issues. It was also suggested that information on sampling undertaken in Benefits would be useful. The Committee felt that data quality was an issue that it would be appropriate for the Chief Executive to advise the Committee on. The Committee requested that a further update on data quality issues in Children's Services and Benefits be provided to the Committee at the next meeting in March.</p> <p>The Chair thanked Mr Longshaw for his report, and emphasised the importance of the Committee considering the financial and non-financial performance of the Council, in accordance with the terms of reference of the Audit Committee. The Chair asked the Chief Financial Officer if he was satisfied that the data quality strategy and action plan to address the issues raised, including in Children and Young People's Services, Housing, Council Tax and Benefits and Local taxation would improve the Council's CAA rating, in response to which the Chief Financial Officer confirmed that this was the case.</p> <p>Taking into account the points raised by the Committee, it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the report and progress being made in respect of data quality be noted. ii) That a further update report on data quality progress in Children's Services and Benefits be presented at the next meeting of the Audit Committee. 	
<p>PRAC150.</p>	<p>HOUSING BENEFITS 3RD QUARTER PROGRESS REPORT ON COUNTER FRAUD ACTIVITY</p> <p>Ian Biggadike, Benefits and Local Taxation, presented the report on the Counter Fraud performance of the Benefits and Local Taxation Service from 1 October to 31 December 2009. Mr Biggadike reported that the number of sanctions for this quarter had been 23. Overall performance in relation to sanctions was below target, but it was reported that there was a focus on increasing prosecution rates; there had been 16 successful prosecutions in the year to date, a significant increase on the previous year, and 18 further cases had been identified for prosecution. It was reported that it was unlikely that the overall target for sanctions would be met, but the number of sanctions would increase when the data-matching exercise was resumed. Mr Biggadike reported that the initial pilot of a scheme to identify fraudulent employment details had led to 168 claims being cancelled, resulting in a potential saving of £700k. In response to a question from the Committee, Mr Biggadike confirmed that the cases chosen for the pilot scheme had been identified as those with a high risk of fraud.</p> <p>It was reported that £731k in overpaid benefits had been identified, and a further £7k in administrative penalties. Due to a national software error, no accurate figure for the amount recovered for the quarter could be</p>	

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	<p>provided, but this information would be provided once the error had been corrected. It was reported that the Fraud Investigation Team had been part of a successful bid to procure an integrated Intelligence and Case Management IT system, which would facilitate the sharing of intelligence across directorates. In relation to the National Fraud Initiative, it was reported that 3 key areas for action had been identified, which were in and out of borough payroll cases, undeclared students and alcohol licence holders. The Committee welcomed the results, but expressed concern that cross-referencing of information from licence applications, etc, might lead to people being deterred from applying for licences and result in licensable activities being carried out by people without valid licences. The Chief Financial Officer acknowledged the concerns raised by the Committee, but advised Members that the Council was required by law to ensure that licence holders were not also claiming benefits to which they were not entitled.</p> <p>In response to a question from the Committee regarding the subsidy for recovered payments, the Chief Financial Officer advised that there was a subsidy of 40% available from the Government in addition to the amount recovered by the Council, so in theory it would be possible to recover 140% of the amount overpaid in total, were 100% of the original overpayment recovered, although this was extremely unlikely as the income recovery is between 50% and 60%. The Committee asked why alcohol licence holders had been identified as a key area as part of the NFI, and it was reported by Steve Thomas, Benefits and Local Taxation, that this had been identified as a new area where a significant amount of undeclared income had been identified. In response to a question from the Committee, it was confirmed that checks were made as to whether licence holders were in fact working before any action was taken and that for any individual identified by the NFI, evidence was required for any prosecution to be commenced. Paul Dossett, Grant Thornton, advised that the Audit Commission was actively promoting the national fraud initiative and was proposing to roll out the initiative to all its suppliers. The Chair noted that the Council was required to pursue the Counter-Fraud strategy, and that a balance had to be reached between meeting the targets for identifying fraud and not penalising Haringey residents unfairly.</p> <p>RESOLVED</p> <p>That the report and work being carried out by the Benefits and Local Taxation Service in relation to Counter Fraud activity be noted.</p>	
<p>PRAC151.</p>	<p>IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - PROGRESS REPORT</p> <p>Graham Oliver, Corporate Finance, presented the report on the progress made in respect of the implementation of International Financial Reporting Standards (IFRS) and the actions proposed in order to secure full implementation. It was reported that the Council was working closely with Grant Thornton and other London Boroughs on this issue.</p> <p>In response to a question from the Committee regarding PFI, the Chief</p>	

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	<p>Financial Officer confirmed that the way in which PFI was accounted was a major change as part of the introduction of IFRS, but that this would have no impact on Haringey as PFI had been brought onto the balance sheet two years previously. The Committee asked about the issue of group accounts, in response to which Mr Oliver reported that there were potentially complex issues to resolve in relation to accounting systems to reflect the debt relating to Alexandra Palace and Park. Paul Dossett, Grant Thornton, reported that following the introduction of group accounts in the Health sector, the Charity Commission had taken the view that accounts of charities should not be consolidated, and that this position would have to be considered in looking at the presentation of the accounts relating to the Alexandra Park and Palace Charitable Trust. It was reported that a significant amount of work was still required in order to address issues relating to bottom line impact.</p> <p>The Chair asked the Chief Financial Officer if he was happy that the training being provided to staff in preparation for the IFRS compliance was satisfactory, in response to which the Chief Financial Officer reported that the training was, in his view, satisfactory.</p> <p>RESOLVED</p> <p>That the progress to date and proposed actions to ensure full IFRS implementation be noted.</p>	
<p>PRAC152.</p>	<p>TREASURY MANAGEMENT STRATEGY STATEMENT (TMSS) AND INVESTMENT STRATEGY 2010/11 TO 2012/13</p> <p>The Committee was provided with a supplementary note in relation to the item on Treasury Management. The Chief Financial Officer presented the report and supplementary note on the Treasury Management Strategy Statement 2010/11 to 2012/13 to the Committee for scrutiny prior to its adoption by the Cabinet and the Council and following its agreement by the General Purposes Committee. It was reported that the CIPFA Code of Practice had very recently been revised and that this had resulted in a change in the way in which the Treasury Management Strategy Statement was approved, as a result of which the Audit Committee would now have responsibility for scrutiny of the Statement prior to its consideration by Cabinet and Council. It was confirmed that the Council's Constitution would be amended to reflect this change. The General Purposes Committee received reports on Treasury Management issues on a quarterly basis and had made recommendations and amendments to the Treasury Management policy.</p> <p>The Committee was notified that the Council's Treasury Management Advisors, Arlingclose, had advised that local authorities were now required to have regard to the ratings issued by the three main agencies, Fitch, Moody's and Standard and Poor's, in relation to determining the institutions on the Council's counterparty list for approved lending. It was reported that this had not led to any change in the counterparty list. Arlingclose had provided a list of possible foreign financial institutions who could be considered for inclusion in the counterparty list in future, but it was reported that officers were still undertaking due diligence in</p>	

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relation to this list and so no recommendations to change the list were being made at this time. It was reported that this situation would remain under review, and progress would be reported to the General Purposes Committee and the Council. The Committee was advised that an increase in the maximum total investment in Money Market Funds from £10m to £45m was proposed in the Strategy Statement, subject to a maximum exposure in any one fund to £15m.

Committee Members requested additional training in order to enable them to fulfil the new responsibility of the Audit Committee in scrutinising the Treasury Management Strategy Statement and to make sure that it did not become a 'rubber-stamping' exercise. The Committee asked for clarification of the section of the report which mentioned maximum exposure to any one institution (or group) of £10m, in response to which the Chief Financial Officer advised that this was in relation to foreign institutions only, and would be in conjunction with a requirement for a higher minimum credit rating than for UK institutions. The Committee expressed concern regarding the possibility of investing in foreign institutions, and the Chief Financial Officer confirmed that the report was setting out the criteria that would need to be looked at before investment in any foreign institution was considered, and that no recommendation to invest in foreign banks was being made at this time. Officers would be carrying out due diligence in respect of the foreign banks suggested by Arlingclose, and would report their recommendations back to the relevant Committees. The Chief Financial Officer reported that any recommendation in relation to a foreign bank would be based on a number of factors being investigated in detail, and not just the credit rating. It was suggested by Committee Members that the Council needed to be increasingly risk-averse as a consequence of the impact of the Icelandic banks collapse in 2009. It was reported that the General Purposes Committee had asked the Council to explore the possibility of investing in mutuals and to report back on this issue.

The Committee asked for clear information on the process by which changes in relation to the credit ratings required by the policy were determined, and were not clear as to how the changes in the Council's acceptable risk thresholds were agreed. The Committee also asked about the expertise of officers involved in due diligence relating to foreign institutions, and the way in which this work was undertaken. The Committee further asked about the possibility of internal borrowing, and whether this had been considered by the Council. The Chief Financial Officer reported that in respect of the process by which the Council's appetite for risk was revised, an immediate assessment (on the same day) would be carried out by officers as soon as changes in credit ratings were reported, and that the Chief Financial Officer would then have responsibility for signing off any action required as a result. Discussions would also take place with Arlingclose. There would then be a report to the General Purposes Committee and to Full Council if any change to the Treasury Management Policy was being recommended as a result. In response to a question from the Committee regarding the speed with which any change could be implemented, it was reported that in the event of a downgrade in credit rating, the Council would cease

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	<p>lending to that institution with immediate effect and that no further investment would take place until a full review could be carried out. The Chief Financial Officer stated that the due diligence work to be carried out by officers, would review each individual bank against the criteria set out in the Treasury Management Strategy Statement. The Chief Financial Officer confirmed that internal borrowing was included in the Treasury Management Strategy Statement and that officers would ensure that this information was clearly set out. It was reported that the Council was already undertaking internal borrowing.</p> <p>The Chair questioned the information in Annex 4 to the Treasury Management Strategy Statement attached to the report, where it was indicated that there was instant access to AAA rated money market funds and that the maximum maturity term for bonds was 6 years. In response, the Chief Financial Officer advised that 6 years was the maximum term that bonds could be invested for theoretically, although it had been agreed that it was unlikely the Council would invest for more than 1 year in practice. In relation to the access to funds invested in money markets, it was confirmed that these were held in reserve and were not committed, in order to facilitate immediate recall of cash and to meet the Council's responsibilities in relation to liquidity. The Chair asked that the Committee's concerns regarding investment in foreign institutions be noted and taken into consideration, and suggested that when looking at these institutions a criterion should be whether they are part of a Government credit guarantee scheme.</p> <p>That Committee emphasised that training on the responsibilities of scrutinising the Treasury Management Strategy Statement for Audit Committee and General Purposes Committee Members must be prioritised.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That, taking into account the comments made by the Committee in relation to the need for Member training and the need to exercise caution regarding consideration of investment in foreign banks, the Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13 be noted. ii) That the changes to the Council's Constitution in relation to the reporting arrangements for the Treasury Management Strategy Statement be noted. 	
<p>PRAC153.</p>	<p>INTERNAL AUDIT 3RD QUARTER PROGRESS REPORT</p> <p>The Head of Audit and Risk Management, Anne Woods, presented the report on the work undertaken during the third quarter by the Internal Audit Service in completing the annual audit plan and any responsive fraud investigation work, and the work the Council's personnel division has undertaken in supporting disciplinary action taken across all departments by respective council managers. It was reported that this</p>	

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	<p>was the second quarterly update report where all priority 1 recommendations had been implemented. Further to a request at the previous Committee meeting, a detailed follow up report on the Decent Homes Standards report had been provided. The Chair expressed satisfaction with the performance outlined in the report, and that the backlog of recommendations had been cleared. The Chair noted that, of the recommendations arising from the Decent Homes Standard audit, two priority 1 recommendations had been partially implemented and a revised deadline for completion agreed.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the audit coverage and progress during the third quarter 2009/10 be noted. ii) That the progress and responses received in respect of outstanding audit recommendations be noted. iii) That the actions taken during quarter 3 to address the outstanding recommendations be confirmed as appropriate. 	
<p>PRAC154.</p>	<p>INTERNAL AUDIT - CIPFA BENCHMARKING</p> <p>The Head of Audit and Risk Management, Anne Woods, presented the report on the results of the CIPFA benchmarking exercise completed in 2009/10. It was reported that 18 other London Boroughs submitted participated in this exercise and that Haringey had the second highest turnover value of all London authorities who participated in the benchmarking exercise. It was noted that a number of local authorities had moved to a corporate anti-fraud team model within Audit since 2008/09.</p> <p>In response to a question from the Committee regarding the average cost per chargeable day, it was reported that Haringey's was comparatively high as the exercise covered a number of outer London Boroughs, whose costs were significantly lower than those for more central Boroughs.</p> <p>RESOLVED</p> <p>That the content of the report be noted.</p>	
<p>PRAC155.</p>	<p>REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE</p> <p>The Head of Audit and Risk Management, Anne Woods, presented the report on the level of compliance with the IPF Toolkit in relation to local authority Audit Committees and their effectiveness. It was reported that the IPF Toolkit was considered to be best practice, although there were some areas in which it differed from the CIPFA guidance on Audit Committee effectiveness. The Chair confirmed that he had looked into the report in detail, and that 95% of the requirements of the IPF Toolkit had been fully complied with and that the Grant Thornton Use of</p>	

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	<p>Resources report had confirmed that they were happy with the effectiveness of the Committee.</p> <p>The Committee suggested that Members be given further opportunity to liaise with the Head of Audit and Risk Management outside of Committee meetings, and it was suggested that this be explored further following the election in May. The Committee also discussed the size of agendas for the Committee, and suggested that the possibility of increasing the number of meetings per year be explored, and that a clear timetable of the items to be taken at each meeting be produced in order to assist with agenda management. The Chair accepted the points raised by the Committee, and noted that the number of meetings per year had already increased from 4 to 6. As it was essential for the Committee to consider both non financial and financial aspects of the Council's operations, the Committee's workload had increased. The Committee asked about the areas in which non-compliance had been identified, in response to which the Chair advised that he felt to the best of his understanding, as well as the advice of the Section 151 Officer, that these had been adequately addressed in the responses provided in the report.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the outcome of the assessment against and current level of compliance with the IPF Toolkit be noted. ii) That the following issues be explored further with the aim of improving the effectiveness of the Committee: increasing the opportunities for interaction between Committee Members and the Head of Audit and Risk Management, the possibility of increasing the number of Committee meetings annually, that a clear timetable of items for each meeting throughout the year be produced to assist with agenda management. iii) That the assessment being undertaken on an annual basis from 2009/10, the item to be included on the annual work and agenda plan which is presented to the Committee at the start of the municipal year, be agreed. 	
<p>PRAC156.</p>	<p>ANTI MONEY LAUNDERING REGULATIONS AND COUNCIL POLICY</p> <p>This item was deferred to the next meeting of the Committee.</p>	
<p>PRAC157.</p>	<p>QUARTER 3 RISK MANAGEMENT UPDATE AND REVISED CORPORATE RISK MANAGEMENT POLICY</p> <p>This item was deferred to the next meeting of the Committee.</p>	
<p>PRAC158.</p>	<p>NEW ITEMS OF URGENT BUSINESS</p> <p>There were no new items of urgent business.</p>	

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PRAC159.	DATE OF NEXT MEETING Thursday, 25 March 2010 at 19:30hrs. The meeting closed at 22:05hrs.	
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COUNCILLOR GMMH RAHMAN KHAN

Chair