

**MINUTES OF THE AUDIT COMMITTEE  
TUESDAY, 14 SEPTEMBER 2010**

Councillors Khan (Chair), Diakides, Meehan, Bloch and Gorrie

Apologies Julie Parker, Director of Corporate Resources

<b>MINUTE NO.</b>	<b>SUBJECT/DECISION</b>	<b>ACTION BY</b>
<b>PRAC30.</b>	<p><b>APOLOGIES</b></p> <p>Apologies for lateness were received from Cllr Diakides, and apologies for absence were received from Julie Parker, Director of Corporate Resources.</p>	
<b>PRAC31.</b>	<p><b>URGENT BUSINESS</b></p> <p>There were no items of urgent business.</p>	
<b>PRAC32.</b>	<p><b>DECLARATIONS OF INTEREST</b></p> <p>There were no declarations of interest.</p>	
<b>PRAC33.</b>	<p><b>MINUTES</b></p> <p><b>RESOLVED</b></p> <p>That the minutes of the meeting held on 26 July 2010 be approved and signed by the Chair.</p>	
<b>PRAC34.</b>	<p><b>DEPUTATIONS AND PETITIONS</b></p> <p>There were no deputations or petitions.</p>	
<b>PRAC35.</b>	<p><b>LEASEHOLD CHARGES - INTERIM PROGRESS REPORT</b></p> <p>The Chair agreed to a request to vary the order of the agenda and take agenda item 12, Leasehold Charges interim progress report, at this point in the agenda.</p> <p>Phil Harris, Assistant Director for Strategic and Community Housing Services, introduced the report, which had arisen from the Committee's concerns at its previous meeting that three recommendations of Grant Thornton had not been agreed by Homes for Haringey. Internal Audit had examined the areas in question to ensure that these would not lead to any control issues, and the findings of Internal Audit and the detailed action plan were appended to the report. Mr Harris reported that no further action was required for two of the three areas, and that as a result of the further action required in respect of Leaseholder Consultation on Qualifying Long Term Agreements, Homes for Haringey would be revising the procedure notes, to be included in the Homes for</p>	

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Haringey and Council procurement procedures.

The Committee expressed concern that, although the report indicated that procedures were correct, Members had experience of cases where problems had arisen and would be reluctant to agree that everything was operating fully satisfactorily in this area. Cllr Meehan gave an example of a case he had been personally involved in where leaseholders had been sent excessive estimates, and he intended to raise this further with the Homes for Haringey management. In response to Member concerns, Jackie Thomas, Homes for Haringey, responded that the report had focussed on the processes in place, but that the service was also reliant on the quality of the information it was provided with, and that problems arose where this information was incorrect. The Committee acknowledged that, while satisfactory processes might be in place, it was key to ensure that the correct information was being supplied so that output was accurate.

The Committee suggested that an analysis of complaints received by councillors should be undertaken to identify areas where problems were regularly occurring, and expressed concern that the issues raised by councillors as a result of estate visits were not being fully analysed by managers. Ms Thomas reported that managers should be producing reports analysing the outcomes of estate inspections as a matter of course, but that this could be looked into further as part of the Internal Audit work for Homes for Haringey. In response to concerns raised by the Committee about the impact of incorrect estimates being sent out, particularly to elderly residents, Ms Thomas stated that measures such as the Key Leaseholder Scheme and pre- and post-inspection systems were in place to address this issue. Ms Thomas reported that it had been identified that in most cases where an estimate was revised, this was as a result of the work varying from the original specification, and work was in place to address this.

Paul Dossett, Grant Thornton, addressed the Committee and stated that although the arrangements in respect of the processes in place had been discharged as a result of the audit and follow up work, there were clearly concerns on the part of Members regarding how the systems were operating in practice, and recommended that a full audit on this area be undertaken, looking at a large sample size on a risk basis. The Committee welcomed this suggestion, and Kevin Bartle, Lead Finance Officer, recommended that this would be an appropriate way forward. The Committee suggested that an appropriate starting point would be to speak to Members who undertake estate visits, to identify the problems that they see recurring.

The Chair summarised that in response to further concerns of the Committee in regard to the proper discharge of duties in the area of leasehold charges, External Audit had recommended that a full audit be undertaken and that this had been agreed by the Lead Finance Officer. The Chair moved and it was:

**RESOLVED**

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	<p>i) That the Committee note the outcome of the Internal Audit Team's completed follow-up of the three recommendations raised in the Grant Thornton report which were not agreed by Homes for Haringey;</p> <p>ii) That the Committee note that the Council is content with the outcome of the follow-up work undertaken by the Internal Audit Team and there are no further actions required for two of the three recommendations;</p> <ul style="list-style-type: none"> <li>• Estate and Block costs – no further action required</li> <li>• Service Quality – no further action required</li> <li>• Leaseholder Consultation on Qualifying Long Term Agreements – further action required;</li> </ul> <p>iii) That the Committee note that the outstanding further action requires Homes for Haringey to revise the procedure notes for the Leaseholder Consultation on Qualifying Long Term Agreements and include in Homes for Haringey and Council procurement procedures once approval has been sought from the Board at its next meeting on 27<sup>th</sup> September. The Audit Committee will be updated on progress in three months time.</p> <p>iv) That a full audit be undertaken by Internal Audit in respect of leasehold charges, looking at a large sample size on a risk based approach.</p>	
<p><b>PRAC36.</b></p>	<p><b>GRANT THORNTON PROGRESS REPORT</b></p> <p>Paul Dossett, Grant Thornton, presented the progress report. The Committee was advised that no significant issues had been identified to date in respect of the annual audit of accounts, and that this would be reported to the General Purposes Committee on 23<sup>rd</sup> September. Further to the abolition of the CAA and, subsequently, the Audit Commission, Mr Dossett reported that Grant Thornton would bring a revised audit plan for 2010/11 to the forthcoming meeting of the Audit Committee.</p> <p>Kevin Bartle, Lead Finance Officer, reported that the Council was satisfied with progress on the audit of accounts, and advised the Committee that an action plan would be presented along with the accounts, to be monitored by the Audit Committee.</p> <p>On a motion by the Chair it was:</p> <p><b>RESOLVED</b></p> <p>That the content of the report be noted.</p>	
<p><b>PRAC37.</b></p>	<p><b>GRANT CLAIMS AND RETURNS PLANNING MEMORANDUM</b></p> <p>Grant Thornton presented the report on the Grant Claims and Returns</p>	

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	<p>Planning Memorandum. The results of the grants work would be reported to the Audit Committee in late 2010 or early 2011. In response to a question from the Chair regarding the fee scale indicated in the report, Kevin Bartle, Lead Finance Officer, confirmed that he felt that this was reasonable.</p> <p>On a motion by the Chair it was:</p> <p><b>RESOLVED</b></p> <p>That the content of the report be noted.</p>	
<p><b>PRAC38.</b></p>	<p><b>CIPFA BENCHMARKING - INTERNAL AUDIT RESULTS 2009/10</b></p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the results of the CIPFA Benchmarking exercise for 2009/10. It was reported that the Council was looking at developing a corporate approach to fraud and ways of increasing the effectiveness of the use of resources in relation to anti-fraud work.</p> <p>In response to a question from the Committee regarding why the Council's overhead costs were so high, Kevin Bartle, Lead Finance Officer, advised that a number of different costs contributed to the calculation of overheads; it was acknowledged that some of Haringey's costs were high, and that these were being addressed in the current budget process.</p> <p>In response to a question from the Committee regarding the Council's anti-fraud work, the Head of Audit and Risk Management reported that they were looking at developing a corporate resource by changing the focus of existing resources to enable a more proactive approach in future. The Committee asked for further information on why additional anti-fraud work was necessary, and the basis on which this work was being undertaken, in response to which it was agreed that the Head of Audit and Risk Management would provide a report on this issue to the next meeting, including the areas to be focussed on. The Committee noted that in other organisations, for example the NHS Trust, a regular corporate anti-fraud report was submitted to the Board, and was a very helpful document, in response to which the Head of Risk Management confirmed that this was precisely the type of report the Council intended to produce in future, once a corporate anti-fraud resource was developed. The way in which such a report would be presented to the Committee, and whether any information would need to be classified as exempt, would need to be considered in due course.</p> <p>The Head of Audit and Risk Management confirmed that, until a corporate anti-fraud resource had been developed, quarterly reports on anti-fraud work in relation to housing and council tax benefits would continue, but that a combined, corporate report on proactive anti-fraud work would replace this in due course.</p> <p>On a motion by the Chair it was:</p>	

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	<p><b>RESOLVED</b></p> <p>That the content of the report be noted, and that it also be noted that, in due course, regular corporate anti-fraud reports would be presented to the Audit Committee.</p>	
<p><b>PRAC39.</b></p>	<p><b>REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000 - OPERATION AND USE WITHIN THE COUNCIL</b></p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the operation and use of RIPA by the Council during 2009/10. In order to comply with the new Order in relation to RIPA, introduced in 2010, it was reported that the Senior Responsible Officer with responsibility for oversight of RIPA was the Director of Corporate Resources, who will provide quarterly reports on RIPA applications to the Cabinet Member for Resources and will provide an annual report to Cabinet. It was reported that the Council had never extensively used RIPA and that 3 applications had been made in 2009/10. There were no outstanding recommendations as a result of the regular inspections into the use of RIPA at the Council.</p> <p>The Committee expressed concern that the Council was having to use RIPA to undertake work which should be the responsibility of the Police, and that further pressure should be put on the Police to act. The Head of Audit and Risk Management responded that there were areas where the onus was on the local authority to investigate, but that she was unable to comment on individual cases.</p> <p>The Chair stated for the record that, while he had no objection to the annual RIPA report to Cabinet, he felt that the Audit Committee should also continue to see the report, as this Committee had the authority to oversee the use of RIPA. In response to the Committee's concerns that duplication of work should be avoided, and that this was something that would be looked at as part of the ongoing Governance Review, the Chair fully agreed that duplication should be avoided, but advised that the Audit Committee's Terms of Reference set out that the Committee was responsible for the performance of the Council – financial and non-financial.</p> <p><b>RESOLVED</b></p> <p>That the requirements of RIPA legislation and the operational processes in place to ensure that the Council complies with these requirements be noted.</p>	
<p><b>PRAC40.</b></p>	<p><b>WHISTLEBLOWING - IMPLEMENTATION AND USE OF THE COUNCIL POLICY 2009/10</b></p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the operation and use of the Council's whistleblowing policy in 2009/10. This report was presented to the Committee on an annual basis in accordance with a recommendation made by the external auditors. It was reported that the whistleblowing policy was circulated to</p>	

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	<p>all staff in various ways, such as on the intranet, via team briefs and on payslips. The policy was used infrequently, and had been used on two occasions in 2009/10, however other referral routes such as Fraudcall and the internal audit email account were used more regularly; as these were anonymous services, there was no way of knowing whether these were being used by staff instead of the formal whistleblowing procedure.</p> <p>The Committee expressed surprise that the use of the whistleblowing policy was so low, and felt that it would be useful to know the general sort of issues raised under the whistleblowing and other referral processes, so that any changes could be monitored. The Head of Audit and Risk Management advised that information was provided in the quarterly internal audit progress report to the Audit Committee, and indicated that one of the uses of the whistleblowing policy had been in relation to bullying and harassment.</p> <p>In response to a question from the Committee regarding how the Council's experience of the whistleblowing policy compared with other local authorities, the Head of Audit and Risk Management reported that speaking to colleagues regarding this matter, the use of whistleblowing was generally low across the London Boroughs.</p> <p>In response to a question from the Chair, Kevin Bartle, Lead Finance Officer, confirmed on behalf of the Section 151 Officer that Haringey's policy in this area was compliant with relevant guidance and that the annual report to the Committee in respect of this matter was good practice.</p> <p><b>RESOLVED</b></p> <p>That the content of the report be noted.</p>	
<p><b>PRAC41.</b></p>	<p><b>INTERNAL AUDIT - UPDATED TERMS OF REFERENCE</b></p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the revised Internal Audit Terms of Reference. It was reported that the Terms of Reference were fully compliant with the CIPFA code of practice, and that there had been very few changes, which were to reflect changes to the Council's Constitution during the year.</p> <p>The Committee requested that, in future, for this report and other policies which were revised on a regular basis and presented to Members for approval, the changes from the previous version be marked up for ease of reference. In response to a question from the Committee in relation to paragraph 9.1 of the Terms of Reference, the Head of Audit and Risk Management clarified that responsibility for managing the risk of Fraud and Corruption lay with the relevant Heads of Service, but Internal Audit were responsible for investigating reported cases of alleged fraud and corruption.</p> <p>In response to a question from the Chair, Kevin Bartle, Lead Finance Officer, confirmed that Haringey was compliant with the requirements of</p>	

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	<p>the CIPFA Code of Practice, as set out in items a) to i) of paragraph 16.2 of the report. Mr Bartle also confirmed satisfaction with the performance of the Head of Audit and Risk Management.</p> <p><b>RESOLVED</b></p> <p>That the revised Terms of Reference for the Internal Audit Service be approved.</p>	
<p><b>PRAC42.</b></p>	<p><b>REPORT ON OUTSTANDING AUDIT RECOMMENDATIONS</b></p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the work undertaken to address the outstanding Priority 2 and 3 audit recommendations. The Committee welcomed the report that all but three of the recommendations had now been implemented, and noted that of those one was in progress, to be completed by 30 September 2010, one was awaiting sign-off and one was awaiting a software release, anticipated in November 2010.</p> <p>In response to concerns from the Committee regarding the ability of Heads of Service to challenge the recommendations of Internal Audit, the Chair noted that management was able to address issues in a different way to the recommendations of Internal Audit, provided that they could demonstrate supporting regulations, guidance and best practice, and that this was acceptable. The Chair also advised that the Committee regularly requested the Section 151 Officer to monitor any such instances and exercise their professional judgement in these matters. The Committee agreed that in instances where management did not agree the recommendations made by Internal Audit, they should be able to attend the Committee to explain their reasons for this. Kevin Bartle, Lead Finance Officer, assured Members of the Committee that Heads of Service at times had robust discussions with Internal Audit regarding recommendations, and were able to challenge issues.</p> <p>The Chair advised that this report had been requested as there was often a focus on Priority 1 recommendations only, but it was also important for Priority 2 and 3 recommendations to be followed up. The Chair acknowledged that, where recommendations were no longer appropriate, these could be updated accordingly and the Section 151 Officer should look into these matters to determine whether the alternative measures taken were appropriate.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That the progress and responses received in respect of outstanding Priority 2 and 3 audit recommendations be noted.</li> <li>ii) That the actions taken to address the outstanding recommendations be confirmed as satisfactory.</li> </ul>	
<p><b>PRAC43.</b></p>	<p><b>NEW ITEMS OF URGENT BUSINESS</b></p>	

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	There were no new items of urgent business.	
<b>PRAC44.</b>	<b>DATE OF NEXT MEETING</b>  Tuesday, 2 November 2010, 7.30pm.  The meeting closed at 20:40hrs.	

COUNCILLOR GMMH RAHMAN KHAN

Chair