

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 NOVEMBER 2010**

Councillors Khan (Chair), Amin (Vice-Chair), Diakides, Meehan, Butcher and Gorrie

Apologies Councillor Bloch

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRAC45.	APOLOGIES Apologies for absence were received from Cllr Bloch. Apologies for lateness were received from Cllr Amin.	
PRAC46.	URGENT BUSINESS There were no items of urgent business.	
PRAC47.	DECLARATIONS OF INTEREST There were no declarations of interest.	
PRAC48.	MINUTES RESOLVED That the minutes of the meeting held on 14 September 2010 be approved and signed by the Chair.	
PRAC49.	DEPUTATIONS AND PETITIONS There were no deputations or petitions.	
PRAC50.	AUDIT PROGRESS REPORT Paul Hughes, Grant Thornton, presented the audit progress report and highlighted the key issues. It was reported that the accounts had been signed off and an unqualified opinion had been given. A review of the restated balance sheet under IFRS had been agreed as preparation for the IFRS accounts 2010/11 and the auditors were working with management on areas of focus for Value for Money audit work in 2010/11, following the cessation of the CAA regime. RESOLVED That the content of the report be noted.	
PRAC51.	VALUE FOR MONEY REPORT Paul Hughes, Grant Thornton, introduced the report on Value for Money 2009/10. With the abolition of the CAA regime, scores were no longer	

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provided in respect of value for money; the report set out the auditor's findings. The auditor's view was that improvements had been made in a number of areas, including data quality which was now felt to be adequate after extensive work during the year. It was reported that the value for money conclusion was therefore unqualified for 2009/10. It was reported that workforce management arrangements were felt to be robust, and that these arrangements would continue to be monitored as this became an increasingly challenging area. An area identified for improvement was the need to demonstrate a fully embedded approach towards value for money, but Grant Thornton understood that work was ongoing to address this. Key issues were set out at paragraph 1.5 of the report, namely the Council's response to funding pressures, the need to address in-year challenges, the need for continued focus on the production of the IFRS accounts and the continued emphasis on the importance of data quality.

A question was raised about the generally positive assessment of the Council's financial planning arrangements, as the report did not seem to foresee the budgetary pressures occurring in-year for 2010/11. Paul Dossett, Grant Thornton, advised that they assessed the outcomes and processes and that while there had been financial pressures, these had been managed with no significant impact on the Council's overall financial health. It was reported that there were continued financial pressures, but that these were recognised and assessed against the relevant criteria; in 2010/11 there would be a significantly increased focus on the Council's financial resilience. Some Committee Members noted that while there had been pressures, specifically in demand-led budgets, it was positive to note that reserves had been reasonable to accommodate these and issues had been identified at a very early stage.

The Committee expressed some concern regarding procurement processes, as Members were aware of examples where complying in full with procurement processes appeared to lead to less value for money for the Council. It was reported that the Council must aim to obtain the best value for money in all its activities, and that how to manage such situations depended on local judgement and the Council's appetite for risk.

Concern was expressed regarding the value of the report, and some Members felt that the report contained little of actual substance; questions were asked regarding why the report stated that the governance systems were robust, when a review of governance was being undertaken, and how workforce management could be assessed as good, when 91 days was the average suspension period. Mr Dossett reported that the report had been undertaken in line with requirements at the time, and that more robust recommendations would have been made had significant problems been identified. In response to the question regarding the governance arrangements, it was reported that these had been identified as positive overall, and that the subsequent decision to undertake a review of the arrangements did not negate that finding. It was also reported that while the average length of suspension may not

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be positive, it formed only one of a number of aspects of the workforce management arrangements which were assessed.

The Committee questioned the positive findings regarding sustainability, in response to which Mr Hughes advised that sustainability had been assessed in great detail in the previous year, and that Haringey had compared favourably with other London boroughs in this regard; Grant Thornton confirmed that they were comfortable with that assessment. In response to a question regarding benefits administration and whether further improvement was needed in this area, Mr Hughes advised that benefits was a technical and complex area, and that there were issues regarding data quality and processing of benefits nationally. It was reported that since the previous year's findings, which had contributed to a qualified opinion, work was ongoing to improve this area, but there was a time lag between the implementation of these improvements and the results coming into effect.

The Chair advised that, subject to the comments made by the Committee, his personal view was that Grant Thornton was an impartial organisation, and that their findings were that significant improvements had been made since the previous year in areas including data quality, safeguarding and the Children's Service. The Chair noted that despite the CAA regime being abolished, there was still a requirement for good audit practices and that it was a source of satisfaction that the Council had this year received an unqualified value for money conclusion. It was also noted that the auditor's report referred to the judgements on the Council by other bodies, and the Chair highlighted the positive findings of the report in respect of the strength of the Council's financial planning, the incorporation of the anticipated cuts into the revised budget, the preparation for IFRS, the national recognition of the Council's customer services and pensions service, the commendation for its procurement practices, the Council's acknowledged leadership in sustainability, the Carbon Trust Standard award, development of the data quality strategy, positive feedback from the JAR safeguarding follow-up report and unannounced inspection, the sustainable community strategy, the best practice work on Councillor Call for Action, the adequate challenge and control provided by the Audit Committee and the awards for Human Capital management, the Leadership Programme, WOW awards and National Customer Service awards. While the Council should be proud of these achievements, it was reported that areas for improvement had been identified and needed to be worked on, in accordance with the action plan attached. The Chair also noted the recommendation that the AGS should be presented to Members by someone from outside of audit, to ensure independence.

Taking into account the comments made by the Committee, it was

RESOLVED

That the content of the report be noted.

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SERVICES RE-INSPECTION - FINAL REPORT

Phil Harris, Assistant Director of Strategic and Community Housing, presented the report on the Housing Allocations, Lettings and Homelessness Service Re-inspection. Further to the poor inspection rating received in 2007, a re-inspection had been undertaken in May 2010, the conclusion from which was that the Service was delivering a 1-star, "fair" service, with excellent prospects for improvement. Engagement with service users was seen to have improved, and the temporary accommodation forum and multi-agency approach were identified as strengths of the service. A number of areas for further improvement had been identified, including monitoring, obtaining feedback and diversity. A requirement for benchmarking data in respect of temporary accommodation had been identified to ensure that value for money was being achieved, and further improvement was necessary in managing the performance of the lettings policy. It was reported that the re-inspection had been of great benefit to the service in working out its priorities and recognising where improvements had been made, and that an action plan had been produced to take this work forward.

The Committee expressed concern that the report did not give a clear sense of direction and did not include the action plan, as this limited the ability of the Committee Members to monitor progress. Mr Harris agreed that the action plan could be circulated to the Committee, and advised that the content of the action plan closely reflected what had been published in the Housing Improvement Plan.

In response to a question from the Committee about the voids process, Mr Harris responded that the approval of Full Council was required for the proposal that there should be a single point of responsibility for voids. The Committee expressed concern that this had not been agreed yet, as the issue of voids had cost implications and needed to be addressed. Mr Harris advised that performance in respect of vacant properties had improved significantly; turnaround times had decreased, acceptance rates for sheltered housing had increased and the number of empty properties had reduced from 60 to 5, some of which had been vacant for just a month or two.

The Committee acknowledged the progress that had been made, but noted that it was important for the Committee to see how the fundamental systems in place were being improved, and this report did not give a sense of this. The Committee expressed concern with the amount of progress made, given the significant amount of resources dedicated to improving the service since 2007. The Committee also expressed concern that the report did not include any figures relating to cost implications, and requested that these be provided.

The Committee asked which other committees were considering this report, and where responsibility lay for holding it to account. It was reported that the report was also going to Overview and Scrutiny for consideration. The Committee agreed that it was essential for there to be clarity regarding accountability. In response to the points raised by the Committee, Julie Parker, Director of Corporate Resources, stated that

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	<p>the best place for the report to be held accountable was the Audit Committee. The Chair emphasised that under the Audit Committee's terms of reference, it was essential for the Committee to see these reports in order to fulfil its responsibility to provide independent assurance of the Council's financial and non-financial affairs. The Committee stated that it was also essential for them to receive the relevant action plans, in order to fulfil its duties. The Committee suggested that it be fed into the ongoing review of the Council's governance arrangements that Audit Committee should be identified as the appropriate body for receiving and monitoring such reports.</p> <p>RESOLVED</p> <p>That the content of the report be noted and that the report be brought back for consideration by the Committee, including the action plan.</p>	
<p>PRAC53.</p>	<p>ANNUAL STATEMENT OF ACCOUNTS - OUTCOME OF THE ANNUAL AUDIT FOR 2009/10 AND REVIEW OF THE ANNUAL GOVERNANCE STATEMENT</p> <p>Kevin Bartle, Lead Finance Officer, presented the report on the final outcome of the annual audit for 2009/10, the action plan from the external auditor Grant Thornton, and the management responses to the action plan. The Committee was asked to note that the accounts were signed off by the appropriate deadline and that an unqualified audit opinion had been provided. Paul Hughes, Grant Thornton, reported that the audit of the accounts had gone well in terms of the information being provided in good time and officers fully cooperating with the audit process. It was reported that some medium priority issues had been identified, and that these were set out in the action plan. It was reported that Grant Thornton were satisfied with the management responses provided, and would work with management to monitor the implementation of the recommendations.</p> <p>In response to a question from the Committee regarding the significance of items such as Hostel Valuations, for example, Mr Hughes advised that where accounting practice in this area was found to deviate from standard practice, this was flagged up.</p> <p>The Chair reported that the accounts had already been considered and approved by the General Purposes Committee, and noted the unqualified audit opinion from the auditor. The Chair accepted the priorities outlined in the action plan by Grant Thornton, however gave his opinion that the items on the balance due from the DCLG and the reconciliation between rent and financial accounting systems should be considered a high priority by officers, in order for the Council to discharge its duties effectively.</p> <p>RESOLVED</p> <p>That the management responses contained in the action plan be agreed, and that the Committee receive an update on agreed actions at a future</p>	

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	meeting of the Audit Committee.	
<p>PRAC54.</p>	<p>TREASURY MANAGEMENT PRACTICES DOCUMENT</p> <p>Kevin Bartle, Lead Finance Officer, presented the report on the Treasury Management Practices document. It was reported that this had been approved by the General Purposes Committee, and that under the CIPFA Treasury Management Code of Practice, the Audit Committee was required to scrutinise the document.</p> <p>In response to a question from the Committee, Mr Bartle confirmed that members who had attended the sessions had received the appropriate training.</p> <p>The Chair asked for clarification of the separation of functions as set out in Treasury Management Practice 5, in response to which Mr Bartle advised that there were separate teams for policy and operations, which reported directly to the Section 151 Officer and Lead Finance Officer. It was confirmed that these arrangements were audited on an annual basis by both internal and external audit. The Chair expressed concern that staff costs for treasury management were shown in the Corporate Finance budget, while interest earned and payable was shown in the Non Service Revenue budget. Mr Bartle advised that this was so that staff costs were accounted for in line with all other staff costs, and the interest earned and payable was accounted for on a 'council-wide' basis, as it was not as such allocated to a specific service. The Chair accepted the view of officers in this regard, however gave his opinion that it did not lead to a true picture for the purposes of budget planning and accounting.</p> <p>The Chair asked whether officers could confirm whether the Council was fully compliant with all the 12 treasury management practices as set out by CIPFA, and whether officers were confident that a situation such as that in Iceland could not happen again. Mr Bartle confirmed that the Council was fully compliant with the 12 treasury management practices. Julie Parker, Director of Corporate Resources, advised the Committee that the Council was taking into account all of the guidance available in this area, including the CIPFA guidance which had been revised to prevent a similar occurrence such as the Iceland situation, and that while there could be no absolute assurance that the same thing would not happen again, a reasonable assurance could be provided, because the Council was following as many examples of best practice as possible.</p> <p>RESOLVED</p> <p>That the Treasury Management Practices document be approved.</p>	
<p>PRAC55.</p>	<p>HOUSING BENEFITS - 2ND QUARTER PROGRESS REPORT ON COUNTER FRAUD ACTIVITY</p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the quarterly counter fraud performance of the Benefits and Local Taxation Service. The Committee noted that sanctions for quarters 1 and</p>	

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	<p>2 were three short of the target for this period, and that £631k in overpaid benefits had been identified. The report also included details of prosecutions undertaken in 2010/11 to date and the new corporate anti-fraud team.</p> <p>The Committee discussed the central government subsidy paid in relation to overpayments. It was noted that recovery of overpayments identified had increased. The Committee asked whether fraud was not being pursued as effectively as it could be by the Council, in response to which Ms Woods reported that new means of addressing fraud had become available during the past year which were not previously open to the Council, which could now be taken on board and could improve recovery rates.</p> <p>The Committee noted that there had never been a 100% recovery rate for overpaid benefits, and so the Council had yet to fully benefit from the potential profit available from the government subsidy. The Committee asked what the actual amount recovered was, in response to which Ms Woods reported that software problems at a national level meant that it was not currently possible to calculate and report this amount, however it was anticipated that this would be corrected and that an accurate recovery figure could be reported at the next Committee. The Committee requested that the list of successful prosecutions for 2010/11 be annotated for the Committee, to show the likelihood of recovery in each instance.</p> <p>In response to a question from the Committee, Ms Woods reported that the Council had a duty to look closely at suspected fraud, as this was often linked to wider criminality, and could lead to those in genuine need of financial assistance being disadvantaged.</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>PRAC56.</p>	<p>INTERNAL AUDIT - 2ND QUARTER PROGRESS REPORT</p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the work undertaken during the second quarter by the internal audit service. It was reported that, as a result of the Committee's continued focus on ensuring the implementation of all audit recommendations, only 1 recommendation was outstanding from 2008/09 and 2009/10, and this was in the process of being implemented. It was reported that the in-house team continued to meet turnaround targets for fraud investigations, and were working to reduce the length of suspensions as far as possible. In response to a request at the previous meeting of the Committee for information on why there was a need for a corporate anti fraud resource, this had been set out in the report.</p> <p>In response to a question from the Committee regarding whether it</p>	

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	<p>would be possible to promote the outcome of fraud investigations to staff as a deterrent, it was reported that there needed to be a balance between the benefits of disclosure and the need to protect sensitive information, and that this was being looked into. The Committee suggested that staff induction would be an appropriate place to emphasise the action taken by the Council in response to fraud, and it was confirmed that this did form part of the current staff induction.</p> <p>The Chair highlighted areas identified in the audits which were unacceptable, namely that the Safeguarding Adults Prevention Strategy was still in draft form and that guidelines in respect of unaccompanied asylum seeking children have not been reviewed and updated in the last 12 months.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the audit coverage and progress during the second quarter 2010/11. ii) That progress and responses received in respect of outstanding audit recommendations be noted. iii) That the actions taken during Quarter 2 to address the outstanding recommendations be confirmed as appropriate. 	
<p>PRAC57.</p>	<p>RISK MANAGEMENT - UPDATE</p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the current position on compliance with the corporate risk management policy for the management of risk registers. It was reported that, subsequent to the publication of the report, the final risk register had been updated and there was now 100% compliance with the corporate risk management policy.</p> <p>RESOLVED</p> <p>That compliance with the risk management strategy for the completion of risk registers across the Council be noted.</p>	
<p>PRAC58.</p>	<p>NATIONAL FRAUD INITIATIVE 2010/11 - CORPORATE ARRANGEMENTS AND REQUIREMENTS</p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the 2010/11 National Fraud Initiative data matching exercise. It was reported that as any change to the Audit Commission Act, under which the NFI was carried out, would require primary legislation, the NFI data matching exercise for 2010/11 would be going ahead, and the Council had submitted the information required for this.</p> <p>In response to a question from the Committee, Ms Woods confirmed that cross-reference was made between the electoral register and council tax lists and that there was a specific focus on single person council tax discounts. The Committee suggested that there should be a system of</p>	

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	<p>checking council tax registrations in connection with the planning system, for example where properties were converted into a number of flats or bedsits; it was reported that more proactive approaches to anti fraud work in relation to housing and planning issues such as this were being looked at as part of the work of the corporate anti fraud team. It was reported that, as a recommendation of a previous audit, certificates of lawfulness were now cross-referenced with all available data. The Committee asked whether the Council used private sector organisations such as Experian as part of its checks, in response to which Ms Woods advised that checks were done using private sector organisations as part of investigations that were felt to be high risk, and in reactive fraud investigations. Use of private firms was limited to higher risk areas, as there were cost implications. Julie Parker, Director of Corporate Resources, advised the Committee that there were minimal resource implications arising from the data matching work, but that where cases went to investigations, these did lead to costs.</p> <p>RESOLVED</p> <p>That the content of the report be noted.</p>	
<p>PRAC59.</p>	<p>NEW ITEMS OF URGENT BUSINESS</p> <p>There were no new items of urgent business.</p>	
<p>PRAC60.</p>	<p>DATE OF NEXT MEETING</p> <p>3 February 2011, at 7.30pm.</p> <p>The meeting closed at 21:10hrs.</p>	

COUNCILLOR GMMH RAHMAN KHAN

Chair