



## NOTICE OF MEETING

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# Audit Committee

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TUESDAY, 19TH APRIL, 2011 at 19:30 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, N22 8LE.

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

### 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 matter becomes 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 - 8)**

To confirm and sign the minutes of the Audit Committee held on the 3 February 2011.

**5. DEPUTATIONS AND PETITIONS**

**6. FEE LETTER FOR 2011/12 (PAGES 9 - 12)**

Report of Grant Thornton

**7. REVIEW OF ARRANGEMENTS FOR THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (PAGES 13 - 30)**

Report of the Director of Corporate Resources to inform the Committee of the review undertaken by external audit in respect of the implementation of the International Financial Reporting Standards (IFRS) and to agree the action plan in response to the review.

**8. PROGRESS REPORT (PAGES 31 - 32)**

Report of Grant Thornton.

**9. INTERNAL AUDIT PROGRESS REPORT - 2010/11 QUARTER 4 (PAGES 33 - 66)**

Report of the Head of Audit and Risk Management to inform the Audit Committee of the work undertaken during the fourth quarter by the Internal Audit Service in completing the 2010/11 annual audit plan and reports issued for outstanding 2009/10 audits together with the responsive and housing benefit fraud investigation work. In addition, to provide details of the work the Council's personnel division has undertaken in supporting disciplinary action taken across all departments by respective council managers.

**10. INTERNAL AUDIT ANNUAL PLAN AND STRATEGY 2011/12 (PAGES 67 - 92)**

Report of the Head of Audit and Risk Management to inform members of the proposed Annual Internal Audit Plan for 2011/12 and the internal audit strategy.

**11. ALEXANDRA PALACE - OUTCOME OF FOLLOW UP AUDITS AT THE CHARITABLE TRUST AND TRADING COMPANY (PAGES 93 - 96)**

Report of the Head of Audit and Risk Management to advise the Audit Committee of the outcome of follow up audit work completed by the independent internal auditors for Alexandra Palace and Park Charitable Trust and Alexandra Park Trading Ltd.

**12. NEW ITEMS OF URGENT BUSINESS**

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

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Monday, 11 April 2011

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**MINUTES OF THE AUDIT COMMITTEE**  
**THURSDAY, 3 FEBRUARY 2011**

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

<b>MINUTE NO.</b>	<b>SUBJECT/DECISION</b>	<b>ACTION BY</b>
<b>PRAC61.</b>	<p><b>APOLOGIES</b></p> <p>There were no apologies for absence. Cllr Bloch apologised in advance that he would be required to leave the meeting at 20:45hrs.</p>	
<b>PRAC62.</b>	<p><b>URGENT BUSINESS</b></p> <p>There were no new items of urgent business.</p>	
<b>PRAC63.</b>	<p><b>DECLARATIONS OF INTEREST</b></p> <p>There were no declarations of interest.</p>	
<b>PRAC64.</b>	<p><b>MINUTES</b></p> <p><b>RESOLVED</b></p> <p>That the minutes of the meeting of the Audit Committee held on 2 November 2010 be approved and signed by the Chair.</p>	
<b>PRAC65.</b>	<p><b>DEPUTATIONS AND PETITIONS</b></p> <p>There were no deputations or petitions.</p>	
<b>PRAC66.</b>	<p><b>HOUSING ALLOCATIONS, LETTINGS AND HOMELESSNESS SERVICES RE-INSPECTION - UPDATE</b></p> <p>Phil Harris, Assistant Director of Strategic and Community Housing, presented the report on the Audit Commission's re-inspection of the Council's Housing Allocations, Lettings and Homelessness services, which included the full Audit Commission report and action plan as requested by the Committee at its previous meeting. As context for the report, Mr Harris advised that of the many of the Audit Commission inspections undertaken in the previous two and a half years, the rating of one-star (fair) with excellent prospects for improvement was within the top quartile of inspections.</p> <p>The Chair noted that of the recommendations made, no reference was made to Housing Association nominations and partnership working as set out in paragraph 85 of the Audit Commission report, and proposed that a recommendation be added to the action plan that the Council should receive 100% of nominations to all new build schemes. The Committee agreed that a recommendation be made to the Cabinet that this item be added to the action plan.</p>	

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	<p>In response to a question from the Committee, Mr Harris advised that recommendation R4 on value for money did not include the issue of charges the Council made to Homes for Haringey, and that this issue was part of a wider review that was taking place. Cllr Gorrie flagged up that this was an issue of concern which needed to be addressed, and the Committee noted the concerns raised.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That the action plan attached at Appendix C, which has been produced in response to the Audit Commission's final report and judgements in relation to its re-inspection of the Council's Housing Allocations, Lettings and Homelessness services be received and noted.</li> <li>ii) That it be agreed that the implementation of the action plan be monitored by the Housing Improvement Board.</li> <li>iii) That it be recommended to the Cabinet that a recommendation in respect of Housing Association nominations and partnership working, that the Council should receive 100% of nominations to all new build schemes, be added to the action plan for the re-inspection of the Council's Housing Allocations, Lettings and Homelessness Services.</li> </ul>	
<p><b>PRAC67.</b></p>	<p><b>TREASURY MANAGEMENT STRATEGY STATEMENT 2011/12 TO 2013/14</b></p> <p>Nicola Webb, Head of Pensions and Treasury, presented the report on the proposed Treasury Management Strategy Statement for 2011/12 to 2013/14. The report was presented to the Audit Committee for scrutiny, prior to going to Full Council for approval. Key issues set out in the report included the Council's strategy of keeping cash balances low and avoiding borrowing unless essential and the proposed additions to the approved investment counterparties list and types of instruments. It was confirmed that, of the non-UK additions to the approved counterparty list, only institutions based in AAA rated European countries and that had a minimum long term credit rating of A+ were proposed and that all transactions would be in sterling and via the London offices of those institutions only.</p> <p>The Committee asked whether mechanisms were in place to respond quickly to any market changes affecting the approved counterparty list, in response to which it was confirmed mechanisms were in place to ensure that as soon as any concerns were raised about an institution, that institution would be removed from the counterparty list with immediate effect, pending a review. It was confirmed that the strategy for non-UK institutions was to remain within the EU, AAA rated countries only. It was clarified that at any one time, no more than 10% of the cash portfolio would be exposed to a single country – of the current cash portfolio of £30-40m, this would equate to £3-4m.</p> <p>The Committee asked about the level of un-earmarked balances and</p>	

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reserves shown in the report on page 18, in response to which the Section 151 officer clarified that this represented the net position on the General Fund balances; it was noted that the appropriate level was determined on the basis of an assessment of the budget, and that this figure may need to be moderated once the budget was agreed. The external auditors confirmed that the current level was felt to be reasonable. The Section 151 Officer confirmed that for the current budget position, the target for General Fund balances was around £10m and that this would be set out in the budget report to Cabinet on 8<sup>th</sup> February 2011.

Cllr Gorrie noted that it felt unnecessary for the same report to be presented to four separate Committees, but it was stated by the Chair that this was in accordance with current CIPFA requirements. It was noted that the proposed changes in governance arrangements would address this issue. It was also noted that changes in the HRA debt may result in significant changes to the balance sheet, and that this needed to be assessed once the government had announced any changes formally.

The Committee asked whether the estimated revenue contributions of £400k for 2011/12 were included in the budget, and whether there was any flexibility in the way this was accounted for. The Section 151 Officer confirmed that this amount was based on the draft capital programme and as such was included in the budget. In response to further questions from the Committee, the Section 151 Officer advised that some of the past year's revenue contributions may have been one-off contributions. The Committee sought assurance that, if it proved necessary for the Council to borrow, borrowing would be possible. The Head of Pensions and Treasury advised that as long as the authorised borrowing limits were not exceeded, borrowing was possible. It was confirmed that cash was currently held in Santander (£9.6m) and that £15m was currently held in two money market funds.

In response to concerns that the document would need to be revised once the budget was agreed, it was reported that Full Council would be asked to approve the TMSS at the same time as the budget. The Section 151 Officer confirmed that the TMSS would be reviewed in the context of the decision made by Cabinet on 8<sup>th</sup> February 2011.

The Chair advised that the Audit Committee had a duty to scrutinise the TMSS under its terms and conditions, and that the report had been prepared on this basis. The Chair asked the Section 151 Officer to confirm that she had scrutinised the advice of the Treasury Management Advisers regarding the addition of two new UK banks, and whether she had verified that the proposed 10 non-UK Banks are all AAA rated in European countries with a minimum of AAA rating and that mechanisms were in place to remove any institutions in accordance with paragraphs 4.4 and 4.5 of the TMSS. The Section 151 Officer confirmed that all due diligence had been undertaken and that means to review and act swiftly in response to any concerns were in place.

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	<p><b>RESOLVED</b></p> <p>That the proposed Treasury Management Strategy Statement for 2011/12 to 2013/14 be noted, taking into account the comments made by the Committee in discussing the item, prior to it being presented to Council for final approval.</p>	
<p><b>PRAC68.</b></p>	<p><b>IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - PROGRESS REPORT</b></p> <p>John Holden, Head of Finance – Accounting and Control, presented the report on progress made in respect of the implementation of International Financial Reporting Standards (IFRS). It was reported that the accounts for 2010/11 would be the first to be stated under IFRS. A key milestone had been the submission of the draft restated balance sheets to the external auditor for an early opinion.</p> <p>The Committee asked about the advice received in respect of the grouping of the accounts, in response to which the Section 151 Officer had advised that the issue was not fully clear, as there were wider issues regarding charity accounts and how these could be grouped. It was reported that the outcome of this would not have an explicit or immediate impact on the taxpayer, but would affect the issue of the treatment of the debt in relation to Alexandra Palace. Cllr Gorrie made the point that this was one of the first issues the Committee had asked about when IFRS was initially reported on, and noted that an answer was still not forthcoming. Paul Dossett, Grant Thornton, advised that CIPFA still had no clear guidance on this issue, as an outcome of a similar issue in the NHS was awaited. The Chair noted that the Council was making progress in accordance with the external and Legal advice provided.</p> <p><b>RESOLVED</b></p> <p>That, noting Cllr Gorrie's concern regarding the issue of the grouping of accounts not yet being resolved, progress to date to ensure full IFRS implementation be noted.</p>	
<p><b>PRAC69.</b></p>	<p><b>EXTERNAL AUDIT PROGRESS REPORT</b></p> <p>Paul Hughes, Grant Thornton, presented the audit progress report and highlighted the key issues. It was reported that Grant Thornton were part-way through the review of the restated 31 March 2010 balance sheet under IFRS and that no substantial issues had been identified to date. The Grants Claims and Returns Certification work was close to completion, and this would be reported to the Committee at its next meeting in April. It was reported that further work was required only in respect of the housing benefit claim.</p> <p><b>RESOLVED</b></p> <p>That the content of the report be noted.</p>	



**MINUTES OF THE AUDIT COMMITTEE  
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Paul Hughes, Grant Thornton, presented the report on the proposed external audit plan and fees for 2010/11, and talked the Committee through the detail of the report. It was reported that the work for the year would focus on the areas of financial resilience and value for money. Mr Hughes reported that the planned fee for 2010/11 was £505k. In addition, it was reported that the Audit Commission was giving Local Authorities a rebate of 3.5% of scale fee to reflect the cessation of the Use of Resources scored assessment exercise. The Committee noted that overall 2010/11 audit fee was therefore likely to stand at £486k, and for 2011/12 was likely to be around £462k.

In response to a question from the Committee on whether Grant Thornton provided advice on how Local Authorities could reduce their audit fee, Mr Hughes reported that they provided advice on how to streamline the audit process, which was the key element in reducing the audit fee. They also worked with the Local Authority on ways of addressing any issues of concern that may arise and to improve performance in these areas, which would reduce the fee going forward.

The Committee asked about the audit programme and how this was determined, in response to which it was reported that this was based on a risk assessment undertaken by Grant Thornton, who then met with the Council's Section 151 Officer to discuss the risks and consider the areas of work to be covered; it was confirmed that the Council had input into the process. In response to a question regarding how Members could put forward issues they would like to see covered by audit work, it was confirmed that Members could feed into the Internal Audit programme when this was brought to the Committee annually; any issues raised by Members would be looked at in terms of the scope of work and the most appropriate level for this to be addressed at, in order to provide independent assurance.

Cllr Gorrie raised the point that the level of audit fees was essentially out of the control of the Council, and that the Committee should therefore be asked to note the level of fees for the year, rather than approve them. It was agreed that the recommendation should be varied accordingly, on the basis that the fees would be approved by the appropriate mechanism within the Council.

The Chair proposed that, in the current financial climate, the overall risk management of the Council should be added to the key risk areas in the audit plan.

**RESOLVED**

That, with the addition of the overall risk management of the Council to the key risk areas, the proposed audit plan for 2010/11 be agreed and the proposed fees for 2010/11 be noted.

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	Cllr Bloch left the meeting at 20:45hrs.	
<b>PRAC71.</b>	<p><b>ANNUAL AUDIT LETTER</b></p> <p>It was reported that the annual audit letter for next year would focus on value for money and financial resilience issues, with an in-depth review of medium-term financial planning issues.</p> <p>The Committee asked how relevant the letter from 2009/10 was to the financial challenges faced by the Council in 2011/12, in response to which Mr Dossett, Grant Thornton, advised that while the letter looked back at the accounts for 2009/10, it should also be used as a vehicle to flag up future challenges.</p> <p>In response to questions from the Committee regarding the previous positive assessments of the Council in respect of value for money, Mr Dossett advised that the value for money assessment was an objective exercise set by the Audit Commission and subject to verification. Cllr Gorrie noted that the letter did not reflect that, at the time of writing, the Council were projecting a large overspend and expressed concern that this type of issue was not picked up in the annual audit letter.</p> <p>The Chair noted the summary of key actions set out in section 12 of the report, and reported that it appeared that the only qualified opinion was on certification of claims as one claim - the Housing and Council Tax Benefit grant claim was qualified in a total claim of 14 claims in 2008/09, which should be added to the action plan. It was noted that a full report on Grants Claims would be presented by Grant Thornton at the next meeting of the Committee.</p> <p><b>RESOLVED</b></p> <p>That the Annual Audit Letter for 2009/10 be received, and the Council's response be noted subject to the comments of the Chair as noted above as regards the action plan.</p>	
<b>PRAC72.</b>	<p><b>INTERNAL AUDIT PROGRESS REPORT - 2010/11 QUARTER 3</b></p> <p>The Head of Audit and Risk Management, Anne Woods, presented the report on the work undertaken by the Internal Audit service in the third quarter of 2010/11. It was reported that the service was on track to complete almost 100% of the Deloitte and Touche audit work by the end of the financial year, against a target of 95% and the details of this work were provided in appendix A to the report. Following the creation of the corporate anti-fraud team, there had been an increase in proactive anti-fraud work, targeting areas identified as being higher risk. The service was working with Homes for Haringey and the Strategic and Community Housing Service to look at ways of targeting housing and tenancy fraud. Since the function for investigating benefit fraud had been transferred to Audit and Risk Management in December 2010, the team had been concentrating on clearing a backlog of existing cases. From prosecutions</p>	

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	<p>achieved in Q3, a total overpayment of £90.7k had been identified, of which 20% had been recovered, and work was ongoing to secure the remaining amount. The report also gave information on council wide disciplinary statistics.</p> <p>In response to a question from the Committee, it was confirmed that the 29 suspension cases referred to in appendix C were those cases that were started in Q3 and the average number of working days each case had taken was 95. It was clarified that if a case was not concluded by the end of the quarter, the number of days taken was calculated from the start of the suspension to the end of the quarter.</p> <p>The Chair noted that all endeavours were being made to reduce the period of suspension in disciplinary cases, and that progress was being made.</p> <p>In response to a question from the Chair, the Head of Audit and Risk Management confirmed that she was satisfied that the target for internal audit performance would be met by the end of the financial year. The Section 151 officer also confirmed that she was satisfied with the performance of the Internal Audit service in ensuring the effectiveness of audit control within the Council.</p> <p>The Chair questioned the March 2012 deadline imposed for implementation of a disaster recovery plan in relation to the audit of the Planning and Control IT Application, in response to which the Head of Audit and Risk Management confirmed that this was for the implementation of a disaster recovery plan for all levels of risks, as a plan to address the highest risks had already been put in place. The Chair noted that the Head of Audit and Risk Management was exercising their professional judgement in making such decisions.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That the audit coverage and progress during the third quarter 2010/11 be noted.</li> <li>ii) That the progress and responses received in respect of outstanding audit recommendations be noted.</li> <li>iii) That the actions taken during Quarter 3 to address the outstanding recommendations be confirmed as appropriate.</li> </ul>	
<p><b>PRAC73.</b></p>	<p><b>RISK MANAGEMENT UPDATE - QUARTER 3 2010/11</b></p> <p>The Head of Audit and Risk Management, Anne Woods, 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 the list of risk registers was likely to change as restructuring took place within the Council, and that the Audit Committee would next have the opportunity to review the Council's Risk Management at the</p>	

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	<p>beginning of the new municipal year.</p> <p>In response to a question from the Chair, the Section 151 officer confirmed that the Council was complying with the agreed Risk Management Strategy.</p> <p><b>RESOLVED</b></p> <p>That compliance with the risk management strategy for the completion of risk registers across the Council be noted.</p>	
<b>PRAC74.</b>	<p><b>OFFICE OF THE SURVEILLANCE COMMISSIONERS (OSC) INSPECTION</b></p> <p>The Head of Audit and Risk Management presented the report on the inspection visit made to Haringey by the Assistant Surveillance Commissioner in November 2010. In response to a question from the Chair as to why the report was being presented to the Audit Committee, the Head of Audit and Risk Management clarified that the inspection report was separate to the performance report; it was the performance report which was reported to the Cabinet as agreed last year. The Head of Audit and Risk Management reported that no major issues had been identified as a result of the inspection, and that the two recommendations made had now been implemented.</p> <p>The Chair noted that while the overall conclusion of the inspection was positive, the Committee asked that the issues which resulted in recommendations, relating to the use of the appropriate forms, were not repeated in future.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That the content of the OSC inspection report be noted.</li> <li>ii) That the action plan to address the recommendations made by the Surveillance Commissioner be approved.</li> </ul>	
<b>PRAC75.</b>	<p><b>NEW ITEMS OF URGENT BUSINESS</b></p> <p>There were no new items of urgent business.</p>	
<b>PRAC76.</b>	<p><b>DATE OF NEXT MEETING</b></p> <p>Tuesday, 19<sup>th</sup> April 2011 at 19:30hrs.</p> <p>The meeting closed at 21:20hrs.</p>	

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29 March 2011

Dear Julie

### **Planned audit fee for 2011/12**

The Audit Commission consulted on its proposed work programme and scales of fees at the end of 2010. The consultation closed on 7 January 2011.

This was an opportunity for all audited bodies under the remit of the Audit Commission to influence the fee scales that form the basis of the 2011/12 audit fee.

### **Scope of the fee**

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2011/12. It covers:

- our audit of your financial statements
- our requirement to conclude on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

A more detailed audit plan will be issued in December 2011 setting out the risks identified, planned audit procedures and any changes in fee.

### **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

In prior years, we used a fee calculation to determine the scale fee. For 2011/12, the Commission has independently set the scale fee based on the planned 2010/11 fee. We must seek approval from the Commission for any variance to the scale fee.

Your 2010/11 scale fee has been published on the Audit Commission’s website. The scale fee for 2011/12 is £454,500.

“In law, audit fees are not a fee for audit services, but a levy to fund the costs of the [Audit] Commission, out of which it meets the costs of audits and its other statutory costs.”

*Audit Commission Work Programme and scales of fees 2011/12*

#### **Chartered Accountants**

Member firm within Grant Thornton International Ltd  
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 A list of members is available from our registered office.

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## **Planned fee**

We do not propose a variation from scale fee. The fee of £454,500 represents a 10% reduction from the 2010/11 fee of £505,000.

As we have not yet completed our audit for 2010/11, the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. Any variation will be agreed with management and the Audit Committee.

## **Value for Money Conclusion**

Under the Audit Commission Act, we must be satisfied that each Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. To arrive at our conclusion we will focus on the Council's arrangements for:

- Securing financial resilience; and
  - Prioritising resources within tighter budgets
- Our work to support our conclusions will be risk-based. We will agree the detail of this with the Council during the course of the year.

We are in the process of discussing with management the areas that we could cover to support our Value for Money Conclusion. These areas include:

- Delivering the Medium Term Financial Strategy;
- Addressing the issues raised by the Localism Bill;
- Development of shared services with the London Borough of Waltham Forest;
- Review of the Council's arrangements for plurality of service providers; and
- The Council's arrangements for economic regeneration including its effective use of assets and potential development of joint ventures and commercial interest companies.

## **Certification of claims and returns**

We estimate that the fee for certification of grant claims and returns will be in the region of £125,000. This is an early estimate based on the average of fees charged in 2009/10 and 2010/11.

## **Rebate from the Audit Commission**

The Commission has proposed to give audited bodies a rebate up to £7.2million (8%) in 2011/12. The Audit Commission will write to you in the summer setting out the amount due.

The Audit Commission has proposed further reductions up to 15% in 2012/13.

## **Non-Code work**

The above fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Administration**

The key members of the audit team for 2011/12 remain unchanged:

Partner	Paul Dossett	0207 728 3180	<a href="mailto:paul.dossett@uk.gt.com">paul.dossett@uk.gt.com</a>
Associate Director	Paul Hughes	0207 728 2256	<a href="mailto:paul.hughes@uk.gt.com">paul.hughes@uk.gt.com</a>
Audit Manager	Caroline Glitre	0207 728 2078	<a href="mailto:caroline.glitre@uk.gt.com">caroline.glitre@uk.gt.com</a>
Assistant Manager	Hanisha Solanki	0207 728 2072	<a href="mailto:hanisha.solanki@uk.gt.com">hanisha.solanki@uk.gt.com</a>
Audit Executive	Helen Phillips	0207 728 1285	<a href="mailto:helen.phillips@uk.gt.com">helen.phillips@uk.gt.com</a>
Advisory Lead	Guy Clifton	0207 728 2903	<a href="mailto:guy.clifton@uk.gt.com">guy.clifton@uk.gt.com</a>

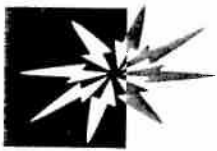
We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Government Audit ([sarah.howard@uk.gt.com](mailto:sarah.howard@uk.gt.com)).

Yours sincerely

Paul Dossett  
For Grant Thornton UK LLP

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Agenda item:

[No.]

**Audit Committee**

On 19 April 2011

Report Title: **Review of arrangements for implementation of International Financial Reporting Standards (IFRS)**

Report of: **Director of Corporate Resources**

Signed : *J. Power* 11/4/11

Contact Officer : **Kevin Bartle, Lead Finance Officer**  
**Telephone 020 8489 5972**

Wards(s) affected: **All**

Report for: **Non-key Decision**

**1. Purpose of the report**

1.1. To inform the Committee of the review undertaken by external audit in respect of the implementation of International Financial Reporting Standards (IFRS) and to agree the action plan in response to the review.

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

2.1. The IFRS initiative has strong links to the Council's Financial Strategy and is also a mandatory requirement with objectives and timescales that are imposed by central government.

**3. Recommendation**

3.1. To note the external audit recommendations in Appendix A and the associated comments of the Director of Corporate Resources.

#### **4. Summary**

- 4.1. All local authorities are required to produce accounts that are IFRS compliant for the financial year 2010/11. This will involve the restatement of the 2009/10 accounts for comparator purposes.
- 4.2. External audit have undertaken a review of the restatement work completed to date to provide assurance to the Council on both the approach being taken and the progress to date against the agreed implementation programme.
- 4.3. Overall external audit have assessed the progress to date as amber on a red/amber/green classification and have highlighted the areas of the work programme that still require the commitment of staff resources. The Director of Corporate Resources believes this is a fair assessment of the current position and remains confident that all the necessary work will be completed within the statutory timescales.

#### **5. Head of Legal Services Comments**

- 5.1. There are no specific legal implications in this report.

#### **6. Service Financial Comments**

- 6.1. The additional costs the Council will incur in preparing for IFRS in 2010/11 are to be contained within existing budgets.

#### **7. Use of appendices /Tables and photographs**

- 7.1.

#### **8. Local Government (Access to Information) Act 1985**

8.1 The following background papers were used in the preparation of this report:

- Report of Chief Financial Officer to the Audit Committee on 23 April 2009 – Implementation of International Financial Reporting Standards (IFRS)
- Report of Chief Financial Officer to the Audit Committee on 1 February 2010 – Implementation of International Financial Reporting Standards (IFRS) – Progress Report
- Report of the Director of Corporate Resources to the Audit Committee on 3 February 2011 - Implementation of International Financial Reporting Standards (IFRS) – Progress Report

## **9. Background**

- 9.1. External Audit undertook a review of the arrangements that the Council had in place to restate the 2009/10 accounts in accordance with IFRS with a primary focus on the restatement of the balance sheet as at 1 April 2009. It has assessed those arrangements as being adequate to provide 'not materially misstated amounts for the balance sheet restatement'. Under external audit's Red/Amber/Green status the overall assessment is amber.
- 9.2. Restatement of the 2009/10 accounts is required since the accounts produced this year will include the financial position as at 31/03/2011 but also include comparator figures as at 31/03/2010. The 2009/10 accounts were prepared under the previous accounting rules (the Statement of Recommended Practice (SORP)) and so in order to determine the comparators under IFRS, the financial position within the 2009/10 accounts needs to be restated where the rules have changed under IFRS.
- 9.3. The Council has been assessed as amber since the arrangements in place to produce IFRS compliant accounts are considered adequate but there are areas where external audit consider the Council should focus its attention in the future such as finalisation of its draft accounting policies and completion of the supporting notes to the restated accounts.
- 9.4. The review concluded that the overall arrangements have been "adequately planned" and that the Council has been "focussing its resources on the key risk areas."
- 9.5. In their review of arrangements to identify the changes under IFRS to leases and a provision for accumulated absences, external audit have stated that the Council's approach "appears to be reasonable".
- 9.6. External audit recommend the timely completion of work relating to finalising the draft accounting policies and the supporting notes to the accounts.

## **10. Summary**

- 10.1. Although the arrangements are considered to be adequate, there are areas where the auditors recommend that the Council needs to focus its future allocation of staff resources. These are detailed in Appendix A attached with the associated comments of the Director of Corporate Resources which confirm agreement with auditors assessment.



**Haringey** Council

Appendix A: Action Plan to recommendations

<b>Recommendation</b>	<b>Priority</b>	<b>Responsibility</b>	<b>Agreed</b>	<b>Management comments</b>	<b>Date</b>
The Council should draw up the accounting policies under IFRS as soon as possible to allow sufficient time for a technical review prior to approval.	High	Head of Finance – Accounting and Control	Agreed	The Council will finalise the draft policies to allow sufficient time for a technical review before the requirement for approval.	30 April 2011
The supporting notes and main statements should be produced as soon as possible to enable us to provide comments before the Council produces its 2010/11 accounts.	High	Head of Finance – Accounting and Control	Agreed	The Council will finalise these notes and work with external audit to ensure time to provide comments.	30 April 2011
The Council should ensure all UK GAAP (General Accepted Accounting Practices) adjustments are made as part of their preparation of IFRS accounts.	Medium	Head of Finance – Accounting and Control	Agreed	UK GAAP adjustments will be made	30 June 2011
The Council should ensure that it correctly classifies investment properties and assets held for sale as required under relevant International Accounting Standards.	Medium	Head of Finance – Accounting and Control	Agreed	The Council will complete the review of its classification of assets held for sale and investment properties.	30 April 2011

<b>Recommendation</b>	<b>Priority</b>	<b>Responsibility</b>	<b>Agreed</b>	<b>Management comments</b>	<b>Date</b>
Provisions are required to be reclassified between current and non-current provisions. They have currently all been included within current provisions.	Medium	Head of Finance – Accounting and Control	Agreed	The Council will review its classification of provisions.	30 April 2011
Accumulated absences provision - this has been included in non-current liabilities and should have been included within current liabilities.	Medium	Head of Finance – Accounting and Control	Agreed	The accumulated absence provision will be re-classified under current liabilities.	30 June 2011

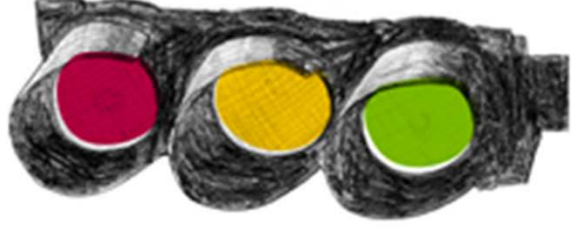
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# London Borough of Haringey

## Review of arrangements for implementation of International Financial Reporting Standards (IFRS)

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March 2011



# Introduction and background

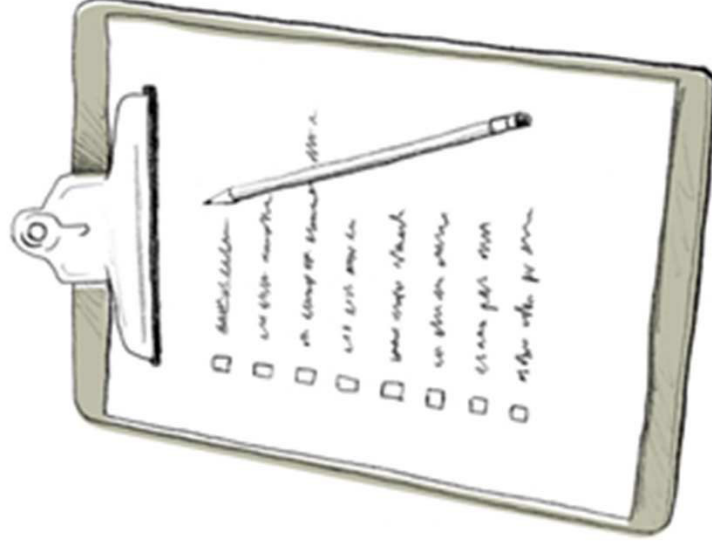
Local authorities are required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). From 2010/11 this Code will be based in International Financial Reporting Standards (IFRS) rather than the current UK GAAP based Statement of Recommended Practice (SORP). The Code requires a restated balance sheet at 1 April 2009, restated 2009/10 accounts and full published IFRS accounts for 2010/11.

## Terms of engagement

Auditors do not have any direct reporting responsibilities in respect of transition balances although they will form the opening balances for the comparative period.

Our work has taken the form of an arrangements review intended to provide feedback on the Council's approach to restatement and is not an audit of the restated balance sheet figures. Detailed work on the restated figures will take place during the 2010/11 final accounts audit.

The arrangements review is primarily focused on 1 April 2009 restated balance sheet values, which will be required to report the 1 April 2010 opening balances for 2010/11. This work has been undertaken as part of our planning for the 2010/11 financial statements audit.





# Adequacy of arrangements

## Basis of assessment

This report details the findings of our review. For each significant balance sheet item we have considered the Council's arrangements against each of the following questions:

- Are the Council's arrangements for identifying and reporting their accounting policies adequate?
- Are the Council's arrangements for identifying and reporting their adjusted UK GAAP values at 1 April 2009 adequate?
- Are the Council's arrangements for reporting IFRS values adequate?
- Are the Council's arrangements for restating their notes to the balance sheet adequate?
- Are the Council's arrangements for preparing quality supporting working papers adequate?

The Council's arrangements for each line in the balance sheet have been assessed using a red/amber/green RAG rating using the following definitions:



Adequate arrangements appear to be in place for the balance sheet area to provide not materially misstated amounts for the restatement.



Adequate arrangements are in place in some respects for the balance sheet area to provide not materially misstated amounts for the restatement. Evidence that the Council is taking forward areas where arrangements need to be strengthened.



The Council's arrangements are generally inadequate to provide not materially misstated amounts for the restatement.

Our findings are detailed on pages 3 and 4 of this report. Where items and areas have been assessed as amber or red we have discussed these with officers and as appropriate made recommendations on page 5.

# Adequacy of arrangements - Findings

## Assets

Balance sheet item	Accounting policies	UK GAAP values	IFRS values	Supporting notes	Working papers	Overall assessment
Property, plant & equipment	AMBER	AMBER	AMBER	AMBER	GREEN	AMBER
Investment properties	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER
Trade & other receivables	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER
Investments	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER
Cash & cash equivalents	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER
Assets held for sale	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER

## Liabilities

Balance sheet item	Accounting policies	UK GAAP values	IFRS values	Supporting notes	Working papers	Overall assessment
Trade & other payables	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER
Bank overdraft	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER
Current borrowings	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER
Other current liabilities	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER
Non-current borrowings	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER
Non-current provisions	AMBER	AMBER	AMBER	AMBER	GREEN	AMBER
Non-current other liabilities	AMBER	GREEN	AMBER	AMBER	GREEN	AMBER
Taxpayers equity	N/A	N/A	N/A	N/A	N/A	GREEN

# Adequacy of arrangements - overall arrangements

## Overall conclusion

We have assessed the overall arrangements that the Council has in place to restate the balance sheet at 1 April 2009 as being adequate to provide not materially misstated amounts for the balance sheet restatement.

The Council has planned the approach with the focus on the key risk areas and a higher level review of other balance sheet areas. The Council has prepared and followed a detailed Implementation Plan which has been reviewed and monitored by the Audit Committee.

All except one balance sheet item has been rated amber. The key findings to support our assessment of amber have been noted as follows:

### Accounting policies

The Council has begun to prepare IFRS compliant accounting policies. However, these were not ready at the time of our review and therefore the Council has been rated amber in all areas in relation to accounting policies. This has also impacted on the overall rating which is amber for all areas except taxpayers equity.

### Supporting notes

The Council has put in place arrangements to capture additional financial reporting information and considered the impact of adoption of the standards for each material category within the supporting notes. However the council has not produced the supporting notes for the balance sheet and is therefore rated amber.

### IFRS values

The Council was able to evidence that they had considered whether the transition to IFRS had an impact on the values reported in the balance sheet and had working papers to support the changes.

We reviewed the Council's arrangements for reviewing its leases and accumulated absences provision (holiday pay accrual). The Council's has engaged with Property services to identify its leases. A de-minimus level of £50k has been agreed with us and the Council reviewed those lease agreements above this level against criteria included in IAS 17 in order to determine if the lease was an operating or finance leases. This analysis was completed by the IFRS Project Team. This appears to be a reasonable approach to reviewing leases.

The Council has used CIPFA's model to calculate the accumulated absence provision for teaching staff and based on information from the payroll system and information returned from managers on staff's leave and flexi days, extrapolated and calculated the amount to accrue for non-teaching staff. The Council's methodology for calculating its accumulated absences provision appears to be reasonable.

We will review the working papers in detail as part of our work on the restatement of the 2009/10 accounts.

## Adequacy of arrangements - overall arrangements

As the accounting policies were not available at the time of our review, we were not able to check that the changes were consistent with the accounting policies and therefore all areas have been rated as amber.

Findings relating to specific balance sheet item have been included below. Recommendations have been raised in the action plan for management to address the above findings to ensure that the Council prepares accounts that are IFRS compliant with comparatives for 2010/11. We also identified some non-material adjustments that the Council has agreed to amend.

# Adequacy of arrangements - amber ratings

## Balance sheet item

Property, plant & equipment

## Finding and reason for rating

The Council has identified that there are assets that did not have revaluation reserves, that should be written off from the revaluation reserve into the income statement. This is an amendment to the UK GAAP accounts and has not yet been made. Therefore UK GAAP values has been rated amber.

## Next steps

The Council should ensure all UK GAAP adjustments are made as part of their preparation of IFRS accounts.

Investment properties and assets held for sale

The Council reclassified surplus assets to investment properties. This was due to the retrospective application of IFRS rules, whereby all assets not sold within one year were reclassified as PPE. This adjustment will need to be reversed as this retrospective application of IFRS rules is not allowed under the guidance.

The Council should ensure that it correctly classifies investment properties and surplus assets as required under relevant International Accounting Standards.

# Adequacy of arrangements - amber ratings

## Balance sheet item Reason for rating Next steps

Non-current provisions	This area has been rated as amber. Under IFRS, provisions should be disclosed between current and non-current provisions, however the Council has disclosed all provisions as non-current.	The Council should review its provisions and correctly disclose them between current and non-current provisions as required under IFRS.
Non-current liabilities	This area has been rated as amber as the Council has included the accumulated absences provision as a non-current liability instead of a current liability as it is due within one year.	The Council should ensure the accumulated absences provision is correctly disclosed as a current liability.

## Overall conclusion and recommendations

The results of our work indicate that the Council's overall arrangements for IFRS restatement have been adequately planned, focusing its resources on the key risk areas.

Overall at this stage we are happy that the processes undertaken by the Council have enabled management to highlight the accounting, explanatory, and presentational adjustments required for restatement to IFRS. Understandably there is more work to do and we will be working closely with the Finance team in their preparation of fully IFRS accounts for 2010/11.

Recommendation	Priority	Responsibility	Agreed	Management comments	Date
The Council should draw up the accounting policies under IFRS as soon as possible to allow sufficient time for a technical review prior to approval.	High				
The supporting notes and main statements should be produced as soon as possible to enable us to provide comments before the Council produces its 2010/11 accounts.	High				

# Overall conclusion and recommendations - continued

Recommendation	Priority	Responsibility	Agreed	Management comments	Date
The Council should ensure all UK GAAP adjustments are made as part of their preparation of IFRS accounts.	Medium				
The Council should ensure that it correctly classifies investment properties and assets held for sale as required under relevant International Accounting Standards.	Medium				
Provisions are required to be reclassified between current and non-current provisions. They have currently all been included within current provisions.	Medium				
Accumulated absences provision - this has been included in non-current liabilities and should have been included within current liabilities.	Medium				





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## LONDON BOROUGH OF HARINGEY

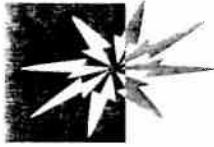
### AUDIT PROGRESS REPORT - APRIL 2011

Work	Progress
<b>2010/11 Accounts audit</b>	<p>Our planning work for the 2010/11 accounts audit is underway. From the work that has been completed, no significant issues have been identified. Our planning work will be completed in June prior to the audit commencing at the beginning of July. We will present our Audit Approach Memorandum at a future meeting of the Corporate Committee.</p>
<b>2010 / 11 VFM</b>	<p>Our 2010/11 Value for Money conclusion will be based upon two reporting criteria specified by the Audit Commission being:</p> <p style="padding-left: 40px;">Criterion 1 - The Council has proper arrangements in place for securing financial resilience</p> <p style="padding-left: 40px;">Criterion 2 - The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>To meet criterion 1 we are undertaking a review of the Council's arrangements, specifically looking at selected key indicators of performance, financial governance, strategic financial planning and financial control. Part of our work will involve detailed review of the robustness of aspects of the financial strategy, including realism of assumptions (e.g. staffing, inflation, interest rates, pension contributions) and detail of savings plans including supporting documentation and arrangements at the departmental level. This work is underway and we will report our findings to a future meeting of the Corporate Committee.</p> <p>As part of our work to meet criterion 2 we are undertaking a review of the Council's progress on Personal Budgets. We have had initial meetings with management and these discussions will continue during April. We plan to report our findings to a future meeting of the Corporate Committee.</p>
<b>2011 / 12 Fees letter</b>	<p>We have agreed our 2011 / 12 Fees letter with management. We will present it to this Audit Committee.</p>
<b>International Financial</b>	<p>We have completed our review of the arrangements for preparing the restated 31 March 2010 balance sheet, under IFRS. We rated the Council's</p>

<b>Reporting Standards (IFRS)</b>	arrangements as Amber.  We will present our report to this Audit Committee.
<b>Grants claims and returns certification</b>	The 2009/10 housing benefit claim has now been certified.  We are in the process of discussing our 2009/10 grants report with management. We will present this to a future meeting of the Corporate Committee.

**Grant Thornton UK LLP**

**April 2011**



**Haringey** Council

Agenda item:

**Audit Committee**

**On 19 April 2011**

Report Title: Internal Audit Progress Report – 2010/11 Quarter 4

Report authorised by: Director of Corporate Resources

*J. Power 11/4/11*

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

Tel: 020 8489 5973

Email: [anne.woods@haringey.gov.uk](mailto:anne.woods@haringey.gov.uk)

Wards(s) affected: All

Report for: Non-key decision

### 1. Purpose of the report

- 1.1 To inform the Audit Committee of the work undertaken during the fourth quarter by the Internal Audit Service in completing the 2010/11 annual audit plan and reports issued for outstanding 2009/10 audits together with the responsive and housing benefit fraud investigation work.
- 1.2 In addition, to provide details of the work the Council's personnel division has undertaken in supporting disciplinary action taken across all departments by respective council managers.

### 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 provide assurance that managers have implemented agreed recommendations and improvements.

### 3. Recommendations

- 3.1 The Audit Committee is recommended to note the audit coverage and progress during the fourth quarter 2010/11.
- 3.2 That the Audit Committee notes the progress and responses received in respect of outstanding audit recommendations.

3.3 That the Audit Committee confirms that the actions taken during Quarter Four to address the outstanding recommendations are appropriate.

**4. Reason for recommendation(s)**

4.1 The Audit Committee is responsible for monitoring the completion of the annual internal audit plan and the implementation of agreed recommendations as part of its Terms of Reference. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Audit Committee.

4.2 Where further action is required or recommended, this is highlighted in the covering report and associated appendices and included in the recommendations for 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 work undertaken in the quarter ending 31 March 2011 and focuses on:

- Progress by Deloitte and Touche on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised;
- Progress in implementing outstanding internal audit recommendations with special attention given to priority 1 recommendations;
- Details of investigative work undertaken relating to fraud and/or irregularities including those within the remit of the Housing Benefit Fraud Investigation Team, and information in respect of disciplinary action taken.

6.2 The information has been compiled from information held within the Audit & Risk Management business unit and from records held by Deloitte and Touche and the Council's corporate Human Resources business unit.

**7. Head of Legal Services Comments**

7.1 The Head of Legal Services has been consulted in the preparation of this report, and advises that there are no direct legal implications arising out of the report.

**8. Chief Financial Officer Comments**

8.1 The Chief Financial Officer notes the positive work delivered by the internal audit

service against the plan and the key performance indicators during 2010/11. Furthermore, compliance against prior year recommendations appears to be improving with a 95% rate for 2009/10 and only 2 recommendations from prior years are still outstanding both of which are being addressed.

**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 is undertaken with respective service managers, Assistant Directors and Directors during the audit process and in the production of individual internal audit reports and follow up programmes. Their comments are included in the final report which is circulated in accordance with the agreed internal audit reporting protocol.

**12. Service Financial Comments**

12.1 There are no direct financial implications arising from this report. The work completed by Deloitte and Touche 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 are contained and managed within the Audit and Risk Management revenue budget.

**13. Use of appendices**

13.1 Appendix A – Deloitte and Touche Progress report  
 Appendix B – In-house Team – investigations into financial irregularities  
 Appendix C – Council-wide disciplinary information

**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. Performance Management Information

15.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management. These form part of Corporate Resources' reporting processes, but are detailed below for information. Table 1 below shows the targets for each area of audit activity monitored and gives a breakdown between the quarterly and cumulative performance.

**Table 1**

PI Ref.	Performance Indicator	4 <sup>th</sup> Quarter	Year to date	Target
A1	Audit work Completed vs. Planned programme	100%	94%	95%
A2	User satisfaction (1 = low, 5 = high)	3.5	3.75	3.75
A3	Time taken to complete investigations	8.25 weeks	8 weeks	8 weeks
A4	Priority 1 recommendations implemented at follow up	100%	100%	95%

## 16. Internal Audit work – Deloitte and Touche contract

16.1 The activity of Deloitte and Touche for the fourth quarter of 2010/11 to date is detailed at Appendix A. Members of the Audit Committee receive detailed summaries of all projects for which a final report has been issued on a monthly basis to allow for any issues to be raised and discussed in a timely manner. Appendix A provides a list of all final reports which have been issued during the quarter, together with detailed summaries of all reports which are issued with a 'limited' assurance rating.

16.2 Appendix A also provides detailed summaries of all recommendations which were previously recorded as outstanding at the time of the follow up audit work. Members have been monitoring the progress and implementation of these at each Audit Committee to ensure that managers were taking appropriate action to address outstanding recommendations. Only 2 recommendations from prior years remain outstanding: 2005/06 - One Priority 2 recommendation remains partly implemented; and 2007/08 - One Priority 3 recommendation remains partly implemented. Work is ongoing to address these and internal audit is satisfied that managers' actions are appropriate to manage the lower priority risks facing the Council. Internal Audit will continue to monitor implementation of recommendations to ensure appropriate actions are taken to mitigate identified risks.

16.3 A summary of all follow up audit projects for 2009/10 work which have been undertaken is also included in Appendix A (pages 9-10). We have followed up on 111 recommendations to date and found that 98 have been implemented, eight are no longer applicable, five are in progress, and one recommendation had not reached its due date. Overall, a compliance rate of 95% has been achieved for the year. All twenty Priority 1 recommendations followed up to date, where the deadline for implementation has passed, have been implemented.



16.4 In 2010/11, 94% of the total planned work has been completed by 31 March 2011, just short of the 95% annual target. Only 8 projects out of a total of 85 planned audits have not been completed and it is anticipated that these will be completed during April 2011. Ongoing monthly contract monitoring reviews ensure that performance levels are kept under review.

16.5 In conjunction with the Director of Corporate Resources, Directors are kept advised of the outstanding recommendations and any actions required to ensure that implementation of recommendations is achieved. From 2008/09 onwards, the implementation of Priority 1 recommendations has been included in the performance reporting requirements for all departments. During quarter four, Internal Audit are satisfied that managers have been taking appropriate action to address the issues raised in the original recommendations prior to 2009/10.

#### **17. In-house Team – Fraud investigation/Pro-active work**

17.1 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 Information Security Policy. Appendix B details the individual cases that were completed by the In-house Team to date in 2010/11 and any which were brought forward from 2009/10. The listing at Appendix B also includes any referrals made using the Council's whistle blowing policy which were investigated by Internal Audit. During the fourth quarter, no whistle blowing referrals were made.

17.2 Within the fourth quarter, three new cases were referred to Internal Audit for investigation, and five cases were completed during the quarter involving Council employees. The five cases completed took 8 weeks on average to complete. Internal Audit work closely with officers from personnel and the service involved to ensure that the investigation is completed as quickly as possible.

17.3 The In-house Team also investigates claims of non-receipt of Council cheques. In the fourth quarter of 2010/11, there have been no referrals for investigation and no losses to the Council. Improvements in procedures, including the introduction of 'positive pay' whereby the council's banking team receives information on cheques before they are cleared, and new cheque security measures have reduced the opportunity for attempted fraud in this area.

17.5 Since the creation of the corporate team in December 2010, the in-house fraud investigation resource has been increased to enable the Council to develop a corporate pro-active approach. During the fourth quarter of 2010/11, the team has been developing its programme of work to focus on key risks facing the Council. This work programme has included the National Fraud Initiative exercise, for which potential data matches were made available in February 2011. Two pro-active counter-fraud projects have been undertaken during the fourth quarter and will be reported to the next committee meeting when the reports are finalised. The section has begun working with Homes for Haringey and the

Strategic and Community Housing Service on developing an approach to target and investigate housing and tenancy fraud.

## 18. Housing Benefit counter-fraud

- 18.1 During the fourth quarter, the team achieved a total of five prosecutions and two lower sanctions (cautions). In total, during 2010/11, the team achieved a total of 21 prosecutions compared to a total of 16 in 2009/10. Although the capability to apply lower level sanctions will be retained going forward, the team's focus forward will be on securing prosecutions and working with Legal Services and other services across the Council to recover money and assets using relevant legislation, including the Fraud Act and Proceeds of Crime Act.
- 18.2 During the fourth quarter, all five prosecution cases resulted in an overpayment. The total overpayment identified for the five cases was £146k, of which £26k (17.6%) has already been recovered. Overpayment plans are in place and one Proceeds of Crime hearing is scheduled for 24 June 2011 in order to try and recover a further £44k.
- 18.3 In 2010/11, the 21 prosecution cases identified a total of £440k in overpaid and fraudulent benefits, of which £106k (24%) has already been recovered and repayment plans are in place for the remaining amounts, with a Proceeds of Crime hearing set for May 2011 for one case (£39k). The team will be working with the HB recovery team and Legal Services going forward to ensure that all options for recovery are considered when fraud has been proven.

## 19. Council-wide disciplinary statistics

- 19.1 Appendix C details the number of disciplinary suspensions and/or action taken in the fourth quarter of 2010/11. The data is taken from SAP and the information has been provided by the Council's Human Resources business unit in line with Council statistics reported elsewhere.
- 19.2 During quarter four, the number of disciplinary cases investigated was 61, with 33 remaining 'open' at the end of the quarter. The average length of time taken to resolve disciplinary cases in quarter four was 88 days, which represents a reduction compared to previous quarters in 2010/11.

**Internal Audit  
Quarter 4 Internal Audit Report  
2010/2011  
London Borough of Haringey**

Deloitte & Touche Public Sector Internal Audit Ltd.  
April 2011

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## Executive Summary

### Introduction

This is our fourth quarter report to the Audit Committee for the 2010/11 financial year including details of all reports which are now at final stage. The report provides information on those areas which have achieved full or substantial assurance and gives an indication of the direction of travel for key systems work which will provide Members with information on how risks are being managed over time. The format of this report is also designed to highlight the key risks facing individual departments and the Council which have been identified during the course of our internal audits. A more detailed summary of the limited assurance audit findings is included for information. The report draws together the summary information which is provided on a monthly basis to Members of the Audit Committee. Members of the Committee will also be provided with full copies of our audit reports upon request.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports.

The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Audit Committee.

As a reminder, our recommendations are prioritised according to the following categories:

<i>Priority 1</i>	-	major issues for the attention of senior management
<i>Priority 2</i>	-	other recommendations for local management action
<i>Priority 3</i>	-	minor matters and/or best practice recommendations

### Key Highlights/Summary of Quarter 4 2010/11 – Final Reports issued:

- Leaving Care Service – Cash Handling Procedures;
- Translation and Interpreting Services;
- Use of Purchase Cards;
- Abandoned and Untaxed Vehicles;
- Strategic Financial Management and Budgetary Control;
- Pension Fund Investment;

- Haringey Offender Management Schemes – DIP and HARRP;
- Employee Expenses;
- Accounting and General Ledger;
- Treasury Management;
- Payroll;
- Use of Waivers;
- Use of Consultants;
- Contract Evaluation Procedures;
- Housing Benefits;
- Network Infrastructure; and
- Framework-i to SAP Payments Interface.

**We have also finalised in quarter 4 the following reports brought forward from 2009/10:**

- VAT Children Centres;
- Wellbeing ABG Projects; and
- Domiciliary Care Contracts.

**As part of the 2010/11 Internal Audit Plan, we also issued a draft report in Quarter 4 for the following audits:**

- Accounts Payable (Creditors);
- Accounts Receivable (Sundry Debtors);
- Cash Receipting;
- Implementation of the Dumping Action Plan;
- NNDR;
- Safeguarding Adults; and
- Sports Approved Suppliers Framework.

The above list does not include reports which we have issued to schools in Quarter 4.

**Follow Up of Prior Years' Recommendations**

The results of our follow-up work are as follows:

**2005/06**

One Priority 2 recommendation remains outstanding; work is ongoing to address this.

**2007/08**

One Priority 3 recommendation remains outstanding; work is ongoing to address this.

**2009/10**

To date we have followed up 111 recommendations and found that 98 (89 %) have been implemented, five (4 %) have been partly implemented and eight (7 %) are no longer applicable.

**Audit Progress Summary:**

The following table sets out the audits finalised in quarter four of 2010/11, showing those that relate to the 2009/10 and 2010/11 financial years, and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Audit Committee.

Detailed summaries of all audits which do not receive 'Full' or 'Substantial' assurance ratings are also provided for Members' information.

Audit Title	Date of audit	Date of Final Report	Assurance level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
<b>2009/10 (b/f)</b>							
VAT Children Centres	2009/10	22/2/11	Substantial	N/A	1	1	1
Wellbeing ABG Projects	2009/10	18/3/11	Substantial	N/A	0	1	0
Domiciliary Care Contracts	2009/10	25/3/11	Substantial	N/A	0	2	0
<b>2010/11</b>							
Leaving Care Service – Cash Handling Procedures	August 2010	8/2/11	Substantial	N/A	0	6	1
Translation and Interpreting Services	January 2011	17/2/11	Substantial	N/A	1	5	0
Use of Purchase Cards	October 2010	17/2/11	Substantial	N/A	1	3	2
Abandoned and Untaxed Vehicles	November 2010	25/2/11	Substantial	N/A	1	2	0
Strategic Financial Management and Budgetary Control	October 2010	25/2/11	Substantial	↔	0	3	0
Pension Fund Investment	December 2010	2/3/11	Full	↗	0	0	0
FWI to SAP Payments Interface	January 2011	2/3/11	Substantial	N/A	0	5	2
Haringey Offender Management Schemes – DIP & HARRP	December 2010	7/3/11	Substantial	N/A	0	2	0
Employee Expenses	November 2010	14/3/11	Substantial	N/A	0	2	0
Accounting and General Ledger	December 2010	17/3/11	Substantial	↔	0	0	2



**DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2010/11**

**APPENDIX A**

Audit Title	Date of audit	Date of Final Report	Assurance level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
Treasury Management	November 2010	17/3/11	Substantial	↔	0	0	1
Network Infrastructure	December 2010	25/3/11	Substantial	N/A	0	6	0
Payroll	January 2011	25/3/11	Substantial	↔	1	2	0
Use of Waivers	October 2010	25/3/11	Substantial	N/A	1	4	1
Use of Consultants	November 2010	25/3/11	Limited	N/A	3	1	0
Contract Evaluation Procedures	May 2010	25/3/11	Substantial	N/A	0	1	0
Housing Benefits	October 2010	25/3/11	Substantial	↔	0	3	2
Local Land Charges	January 2011	28/3/11	Substantial	N/A	0	2	1

**DETAILED SUMMARIES:**

Audit area	Scope	Status/key findings	Assurance
<b>PROCUREMENT AUDIT</b>			
<p><b>Use of Consultants</b></p>	<p>Audit work was undertaken to cover the following areas:</p> <ul style="list-style-type: none"> <li>• Compliance with local, statutory and EU requirements and thresholds;</li> <li>• Documentation, policy and procedures;</li> <li>• Application, approval and authorisation processes for use of consultants;</li> <li>• Records, including maintenance at Directorate level (including use of waivers);</li> <li>• Contracts in place for each consultant which comply with corporate requirements; and</li> <li>• Subsequent engagement and expenditure complies with waiver and/or local and EU thresholds.</li> </ul>	<p>The Council's policy is to limit the use of consultants. There has been a reduction in the number of consultants employed by the Council from 82 in June 2010, to 54 as at October 2010.</p> <p>Some of the weaknesses identified in the system are detailed below:</p> <ul style="list-style-type: none"> <li>• The Council's Policy for the recruitment of consultants was not fully followed in the sample of 10 consultants examined. The areas of non-compliance were:                             <ul style="list-style-type: none"> <li>○ No evidence that the Consultant E-form had been used in all cases;</li> <li>○ A business case was in place in only five cases;</li> <li>○ Consultant Induction Checklist had not been completed in all cases;</li> <li>○ Evidence of professional indemnity insurance cover was only available in six cases; and</li> <li>○ There was evidence of a contract being in place in only five cases.</li> </ul> </li> <li>• It is understood that it is currently possible for consultants to be set up on SAP without confirmation that all key documents required under the Council policy have been completed/ obtained;</li> <li>• Evidence of monitoring was only available in one of the 10 consultants examined. It was also not transparent from the budget monitoring process, whether such expenditure was being monitored. Evidence of performance monitoring was</li> </ul>	<b>Limited</b>

Audit area	Scope	Status/key findings	Assurance
		<p>also not available in all cases; and</p> <ul style="list-style-type: none"> <li>• The Policy for Use of Consultants/Self Employed Workers which is available on Harinet is dated September 2009 and has not been updated since.</li> </ul> <p>As a result of our audit work we have raised three priority 1 recommendations and one priority 2 recommendation which should assist in improving the control environment.</p> <p>The Priority 1 recommendations are as follows:</p> <ul style="list-style-type: none"> <li>• A formal reminder should be sent to all managers who are involved in the recruitment of consultants, reinforcing the requirement to comply with all aspects of the Council's Policy for Use of Consultants;</li> <li>• Officers within the Corporate Procurement Team with responsibility for setting up consultants on SAP should be formally reminded of their responsibility to ensure that all requests are supported by all relevant documents required under the Council's Policy for Use of Consultants; and</li> <li>• A reminder should be sent to all relevant managers, reminding them of their responsibility to ensure that:             <ul style="list-style-type: none"> <li>(i) The requirements of the Council's Contract Standing Orders are complied with at all times with regard to the expenditure level; and</li> <li>(ii) Corrective actions are taken to address poor performance, in line with the Council's Policy for Use of Consultants.</li> </ul> </li> </ul> <p>The Priority 2 recommendation is as follows:</p> <ul style="list-style-type: none"> <li>• The Policy for Use of Consultants/Self Employed Workers should be updated on Harinet and evidenced as such. A process should also be implemented for the document to be reviewed at least annually and updated, where necessary, to reflect relevant changes in local, statutory and EU requirements and thresholds.</li> </ul>	

**DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2010/11**

**APPENDIX A**

**Detailed Progress Report - Implementation of Recommendations 2005/06**

Ref	Recommendation	Priority	Original Deadline	Progress/Status
<b>ADULTS, CULTURE &amp; COMMUNITY SERVICES</b>				
<b>Torex Leisure Management System</b>				
1	Management should contact the software suppliers with a view to investigating whether and how 'failed logon attempts' can be included in the existing Audit Trail logging, as are successful logons and logouts currently.	2	Ongoing / May 2008	<b>Partly Implemented</b> <i>Update 4 April 2011:</i> Version 9.6 of the software has now been released on the market. A project has been set up within the Council to implement it. It is planned that it will be implemented within the next 3-6 months.

**Detailed Progress Report - Implementation of Recommendations 2007/08**

Ref	Recommendation	Priority	Original Deadline	Progress/Status
<b>ADULTS, CULTURE &amp; COMMUNITY SERVICES</b>				
<b>Appointeeship &amp; Receivership</b>				
1	All policies and procedures should be reviewed regularly, and at least annually, and updated, if necessary. Furthermore, all documents should be dated and communicated to all relevant staff.	3	March 2008	<b>Partly Implemented</b> <i>Update 05.04.11:</i> The policies and procedures have been finalised and agreed in principle by senior management. The procedures were communicated to staff before 1 April 2011. Arrangements are being made to include the formal approval of the documents as an agenda item at the next DMT meeting.

Follow Up Table - 2009/10 Audit Work

AUDIT AREA	Assurance Level	Recommendations											Priority 1 Reccs. Outstanding				
		Category			Implemented					N/A				In Progress	Not due		
		1	2	3	Total	1	2	3	Total	N/A	Not Imp.						
<b>Corporate – Council-wide</b>																	
Risk Management	Substantial	0	3	0	3	0	3	0	3	0	0	0	0	0	0	0	0
<b>Corporate Resources</b>																	
Pension Fund Administration	Substantial	0	2	1	3	0	2	1	3	0	0	0	0	0	0	0	0
Treasury Management	Substantial	0	4	1	5	0	4	1	5	0	0	0	0	0	0	0	0
Strategic Financial Management & Budgetary Control	Substantial	0	1	1	2	1	1	0	2	0	0	0	0	0	0	0	0
Accounts Receivable (Sundry Debtors)	Substantial	0	3	1	4	0	3	1	4	0	0	0	0	0	0	0	0
Accounts Payable (Creditors)	Substantial	0	2	0	2	0	2	0	2	0	0	0	0	0	0	0	0
Accounting & General Ledger	Substantial	0	0	1	1	0	0	1	1	0	0	0	0	0	0	0	0
Council Tax	Substantial	0	2	1	3	0	0	1	1	0	0	0	0	0	0	0	0
NNDR	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0	0	0	0
Decent Home Standards (Procurement)	Limited	5	2	1	8	5	2	1	8	0	0	0	0	0	0	0	0
RBS Bankline Application	Substantial	0	1	1	2	0	0	1	1	1	0	0	0	0	0	0	0
Website Security Audit	Substantial	0	1	2	3	0	1	1	2	1	0	0	0	0	0	0	0
Planning and Building Control Application	Limited	2	10	0	12	2	7	0	9	1	0	0	0	0	0	0	0
Framework-i Disaster Recovery	N/A	0	1	0	1	0	1	0	1	0	0	0	0	0	0	0	0
<b>Urban Environment</b>																	
Temporary Accommodation	Limited	3	8	0	11	3	8	0	11	0	0	0	0	0	0	0	0

## DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2010/11

## APPENDIX A

AUDIT AREA	Assurance Level	Recommendations													Priority 1 Recs. Outstanding			
		Category				Implemented					Not Implemented							
		1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due					
<b>Adults, Culture &amp; Community Services</b>																		
Recreation Services (including Leisure) - Risk Register Testing	Limited	2	0	0	2	2	0	0	2	0	0	0	0	0	0	0	0	0
ACCS- Culture Libraries and Learning- Risk Register Testing	Substantial	0	3	0	3	0	2	0	2	0	0	0	1	0	0	0	0	0
Leisure Centres – Income Generation and Collection	Substantial	1	2	1	4	1	2	1	4	0	0	0	0	0	0	0	0	0
Framework-I application	Substantial	0	8	2	10	0	8	2	10	0	0	0	0	0	0	0	0	0
Mental Health	Limited	1	3	0	4	1	2	0	3	0	0	0	0	0	1	0	0	0
Markfield Park Development – Project Management Assurance	Limited	3	4	0	7	2	4	0	6	1	0	0	0	0	0	0	0	0
Lordship Recreation Ground Regeneration Programme – Project Mgmt. Assurance	Limited	3	3	0	6	3	3	0	6	0	0	0	0	0	0	0	0	0
<b>Chief Executives – P&amp;OD</b>																		
Councillor Call for Action	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0	0	0	0	0
Payroll	Substantial	0	5	1	6	0	4	0	4	1	0	0	1	0	1	0	0	0
<b>Chief Executives – PPPC</b>																		
Data Quality	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0	0	0	0	0
Voluntary Organisations	Substantial	0	6	0	6	0	5	0	5	0	0	0	0	0	1	0	0	0
<b>Total</b>		<b>20</b>	<b>77</b>	<b>14</b>	<b>111</b>	<b>20</b>	<b>67</b>	<b>11</b>	<b>98</b>	<b>8</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Implemented** – officers has indicated through self-certification the progress of recommendations. We have verified a sample of responses.

**N/A** – the recommendation is no longer applicable due to changes in the system, or alternative action has been taken to address the risk.

**Not implemented** – the recommendation has not been addressed, alternative action has not been taken.

**Partly implemented** – officers have started implementation of recommendations

Detailed Progress Report - Outstanding Recommendations 2009/10

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
<b>CORPORATE RESOURCES</b>				
<b>PLANNING &amp; CONTROL APPLICATION</b>				
1	<p>A procedure should be established to reconcile payments received from the Planning Portal and iPlan as well as e-Forms on the Haringey website and iBuild application via the Haringey e-Payments system. This should ensure that all payments received via the Cash Receipting interface are reconciled to the Planning Portal application and e-Forms.</p>	2	31 August 2010	<p><b>Partly Implemented:</b>                      Implementation date is unclear at present due to costs involved, however, in the interim we have developed a workaround whereby before applications are formally completed, SAP is checked for payments received.</p> <p><b>Management Update 25/1/2011:</b>                      No implementation date provided as this is outside of Haringey's control. Central IT are aware of the integration issues between the payment systems and i-LAP. In the interim the Service will instigate a manual update system. 31/03/11.</p> <p><b>Management Update 6/04/2011</b>                      The situation is as above; however, this was raised with the suppliers, with an indicative implementation date of June 2011, depending on whether the suppliers want to incorporate the Council's service request.</p> <p><i>Revised deadline: June 2011</i></p>

DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2010/11 APPENDIX A

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
2	<p>The current audit trail in place on the iPlan and iBuild application should be reviewed to ensure audit trail functionality specifies the tables required for auditing. This should be completed with management to help ensure that all system activity is recorded for the following areas:</p> <ul style="list-style-type: none"> <li>• Changes to system files or fields;</li> <li>• User access to the system; and</li> <li>• Unauthorised access attempts and user lockouts.</li> </ul>	2	31 August 2010	<p><b>Partly Implemented:</b></p> <p>It has been agreed that this recommendation is not going to be implemented at this time due to the way that the i-LAP is configured. However, as with the input controls above, an enhancement request based upon the recommendation will be submitted.</p> <p><b>Management Update 25/1/2011:</b></p> <p>No implementation date provided as this is outside of Haringey's control. Formal enhancement request has been submitted to Northgate.</p> <p><b>Management Update 06/04/2011:</b></p> <p>The Council has raised this with Northgate; however, Northgate have not implemented this request at the time of the follow-up. It is considered unlikely that this will be done soon; however, this issue will be raised in the quarterly meetings with Northgate.</p> <p>The revised deadline of June 2011 is indicative, depending on Northgate's response.</p> <p><i>Revised deadline: June 2011</i></p>



Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
<b>ADULTS, CULTURE &amp; COMMUNITY SERVICES</b>				
<b>MENTAL HEALTH</b>				
3	It is recommended that the Assessment and Care Management Manual is reviewed and updated, to ensure that its contents are in line with the strategic direction and objectives of the Council as a whole. Evidence of this should be retained e.g. through the use of version control.	2	March 2011	<p><b>Management Update 6 April 2011:</b></p> <p>The procedures have not yet been reviewed due to the implementation of the Personalisation Agenda. An audit of this area is currently being undertaken by Grant Thornton, the Council's external auditors, which will cover review of procedures. It is expected that the report from Grant Thornton will be issued in July 2011.</p> <p><i>Revised deadline: July 2011</i></p>
<b>CHIEF EXECUTIVES – PEOPLE &amp; ORGANISATIONAL DEVELOPMENT</b>				
<b>PAYROLL</b>				
4	It is recommended that for all new employees, the Council confirms their right to work in the UK and records this on the individual's personnel file.  The exception identified should be followed up to confirm the individual has a right to work in the UK.	2	April 2010	<p><b>Partly Implemented</b></p> <p>The Pay Control Manager informed us that historical items still need to be cleared from the reconciliation. However, plans are afoot to continue to work with the finance team to do so. Also, once old items have been cleared the process of a second officer reviewing the reconciliation will begin.</p> <p><i>Revised Deadline: 30 April 2011</i></p>

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
<b>CHIEF EXECUTIVES – PPPC</b>				
<b>VOLUNTARY ORGANISATIONS</b>				
5	<p>It is recommended that the monitoring spreadsheet maintained by the Finance and Monitoring Support Officer to record the dates of monitoring visits to voluntary organisations in receipt of grant aid should be updated on a regular basis.</p> <p>It is further recommended that the standard pro-forma used to record details of the visits should be utilised consistently for all organisations, and should be updated to include a field for the follow-up of issues raised at the previous monitoring visit.</p>	2	Immediately	<p><b>Partly Implemented</b></p> <p>Monitoring spreadsheets have been maintained and recent visits have been recorded on these. A standard pro-forma has been used and follow up issues have been raised. However, the form should be updated to include a field for the follow-up of issues raised at the previous monitoring visit.</p> <p><i>Revised Deadline: 30 April 2011</i></p>

## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

**Deloitte & Touche Public Sector Internal Audit Limited**

**London**

**April 2011**

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London Borough of Haringey Internal Audit – Quarter 4 Report 2010/11



## IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/04/10 - 31/03/11 &amp; B/F FROM 2009/10

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 31/03/2011	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
Adults Culture & Community Services	Allegation that employee used a fraudulent Blue Badge	1	1	1	Dismissed Appeal Completed	
	Allegation of Gross Misconduct	1	1	1	Dismissed	
	Allegation of theft of client monies	1	1	1	Dismissed	
	Allegation of irregular housing application	1	1	1	Pending Disciplinary Action	
Chief Executive Service	Allegation that employee undertaking other employment during contracted hours	1	1	1	Dismissed Appeal Completed	
Children and Young People's Service	Allegation that employee has false identity	1	1	1	ET Application Withdrawn Employee Resigned	
	Allegation that employee had undeclared other employment	1	0	0	N/A	

## APPENDIX B

## IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/04/10 - 31/03/11 &amp; B/F FROM 2009/10

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 31/03/2011	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
	Allegation that employee working elsewhere whilst off sick	1	1	1	Disciplinary Sanction imposed	
	Allegation that employee failed to make visits	1	1	1	Contract Ended by Service	
	Allegation that employee misused telephones and resources	1	1	1	Employee Resigned	
	Allegation of theft of parking monies	1	1	1	Dismissed Appeal Lodged	
	Allegation of misuse of resources	1	1	1	Employee Resigned	
Corporate Resources	Allegation of irregular land sale	1	1	1	Dismissed Appeal Completed	
	Allegation of working elsewhere whilst off sick	1	1	1	Employee Resigned	

## APPENDIX B

## IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/04/10 - 31/03/11 &amp; B/F FROM 2009/10

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 31/03/2011	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
	Allegation that employee brought Council into disrepute	1	1	1	Dismissed	
	Allegation that employee is running a business from their desk	1	1	1	Dismissed	
	Allegation that employee misused resources	1	1	1	Dismissed	
Urban Environment	Allegation of irregular housing allocation	1	1	1	Disciplinary sanction imposed Appeal Withdrawn Employee Resigned	
	Allegation of conflict of interest	1	1	1		
	Allegation of unauthorised absence	1	1	1	Dismissed	
<b>Total</b>		20	19	19		





## Haringey Council – Audit Committee

## Disciplinary Case Analysis January to March 2011

**Introduction**

The information in this report is taken from SAP, covering the period 01 January 2011 – 31 March 2011.

The data is based on Haringey Council employees who

- hold Permanent, Temporary or Fixed Term Contracts

Note that this data excludes:

- Casual or Sessional Workers
- Schools
- Agency Workers

Legend	
Adults, Culture & Community Services	AS
The Children & Young People's Service	C
Corporate Resources	CR
People & Organisational Development	PO
Policy, Performance, Partnership & Comms	PP
Urban Environment	UE
Haringey Council	HGY

The Council's Disciplinary Procedure is considered as a tool to assist in good management and not solely as a means of imposing sanctions or setting out procedures leading to dismissal.

The procedure aims to:

- Allow managers to address issues of unsatisfactory conduct and seek improvements in behaviour
- Ensure that employees covered by the procedure are treated fairly and consistently
- Ensure that proper and adequate procedures are observed before any disciplinary decisions are taken
- Help and encourage all employees to achieve and maintain standards of conduct, attendance and job performance
- Maintain discipline essential to the delivery of high quality services
- Protect the health, safety and well being of staff, service users and members of the public
- Safeguard the integrity and good reputation of the Council  
(*Disciplinary Procedure July 2005*)

## Disciplinary Cases

This section looks at the number of formal actions taken against employees under the disciplinary procedure.

## Disciplinary Cases by Directorate

Directorate	Cases Open	Cases Closed	No of cases	No of employees
AS	7	6	13	13
C	15	4	19	18
CR	5	3	8	7
PO	0	1	1	1
PP	1	2	3	3
UE	5	12	17	15
HGY	33	28	61	57

Please, note that the total number of cases is 61, but this only represents 57 employees. The reason being, that one employee can have more than one case running concurrently. For example, an employee's dismissal could count as one case and their appeal as another.

- **Urban Environment** has the highest percentage of disciplinary cases against its workforce at 2.77% in this quarter
- 33 cases remain 'open' at the end of this period

The following table looks at the stages of Disciplinary cases.

## Stages of Disciplinary Cases

Stage	Cases Open	Cases Closed	Total	%
Invest. - not suspended	15	11	26	43
Invest. - suspended	15	12	27	44
ET	0	1	1	2
Appeal	3	4	7	11
Total	33	28	61	100

The following table identifies the outcomes of the 28 cases that were concluded.

### Disciplinary Case Outcomes

Outcome	Invest. - not suspended	Invest. - suspended	Invest. - appeal	Invest. - ET	Total	%
Compromise agreement	0	1	0	0	1	4
Dis. Appeal Dismissed	0	0	1	0	1	4
Dis. Appeal Part Upheld	0	0	1	0	1	4
Dis. Appeal Upheld	0	0	0	0	0	0
Dis. Appeal Withdrawn	0	0	1	0	1	4
Dis. Dismissal	2	4	0	0	6	21
Dis. ET Dismissed	0	0	0	0	0	0
Dis. ET Withdrawn	0	0	1	1	2	7
Dis. Final Written Warning	1	0	0	0	1	4
Dis. No Action	1	2	0	0	3	11
Dis. Other	0	0	0	0	0	0
Dis. Relegation/Demotion	0	0	0	0	0	0
Dis. Resigned	0	3	0	0	3	11
Dis. Verbal Warning	2	0	0	0	2	7
Dis. Written Warning	6	1	0	0	7	25
Escalated to next stage	0	0	0	0	0	0
Suspension Lifted	0	0	0	0	0	0
<b>Total</b>	<b>12</b>	<b>11</b>	<b>4</b>	<b>1</b>	<b>28</b>	<b>100</b>

- 25% of cases resulted in **Written Warning**

This table displays reasons for Disciplinary action against employees.

### Reasons for Disciplinary Cases

Reason	Cases Open	Cases Closed	Total	%
Assault	1	0	1	2
Attendance	3	3	6	10
Behaviour	10	6	16	26
Fraud / Theft	6	7	13	21
Misuse of resources	2	2	4	7
Negligence	8	4	12	20
Other	3	6	9	15
<b>Total</b>	<b>33</b>	<b>28</b>	<b>61</b>	<b>100</b>

- The highest cause for disciplinary action was for **Behaviour** at 26%

This table looks at the ethnic breakdown and gender split for Disciplinary cases

**Disciplinary Case employee representation by Ethnicity and Gender**

Ethnic Class	Female		Male		All	
	Total	%	Total	%	Total	%
B & M E	21	54	18	46	39	68
White	7	39	11	61	18	32
Not Declared	0	0	0	0	0	0
Total	28	49	29	51	57	100

- 33% of the workforce is male, but the male representation with disciplinary cases is significantly higher at 51%

The following table looks at the ethnic breakdown per Directorate and across grade bands.

**Disciplinary Case employee representation by Ethnicity and Grade Band**

(T = Total no. in grade band, WF = % of total disciplined employees in Directorate)

Dir	Ethnic Group	SC1-SC5		SC6-SO2		PO1-PO3		PO4-PO7		PO8+		TOTAL	
		T	WF	T	WF	T	WF	T	WF	T	WF	T	WF
AS	B & ME	6	46	0	0	0	0	0	0	0	0	6	46
	White	6	46	1	8	0	0	0	0	0	0	7	54
	Total	12	92	1	8	0	0	0	0	0	0	13	100
C	B & ME	3	17	1	6	3	17	4	22	0	0	11	61
	White	0	0	1	6	1	6	5	28	0	0	7	39
	Total	3	17	2	11	4	22	9	50	0	0	18	100
CR	B & ME	4	57	1	14	0	0	1	14	0	0	6	86
	White	0	0	1	14	0	0	0	0	0	0	1	14
	Total	4	57	2	29	0	0	1	14	0	0	7	100
PO	B & ME	0	0	1	100	0	0	0	0	0	0	1	100
	White	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	1	100	0	0	0	0	0	0	1	100
PP	B & ME	1	33	0	0	2	67	0	0	0	0	3	100
	White	0	0	0	0	0	0	0	0	0	0	0	0
	Total	1	33	0	0	2	67	0	0	0	0	3	100
UE	B & ME	8	53	1	7	1	7	1	7	1	7	12	80
	White	1	7	0	0	1	7	0	0	1	7	3	20
	Total	9	60	1	7	2	13	1	7	2	13	15	100
HGY	B & ME	22	39	4	7	6	11	6	11	1	2	39	68
	White	7	12	3	5	2	4	5	9	1	2	18	32
	Total	29	51	7	12	8	14	11	19	2	4	57	100

## Suspensions

This table shows a summary of suspension cases.

## Summary of Suspension Cases

Case status	Total
No. of cases heard	9
No. of cases not concluded	15
No. of cases not concluded - leaver	3
Total	27

## Timescales (no of days) of Suspension Cases

The table below looks at the 27 suspension cases and identifies the no. of working days each case has taken. If a case has not concluded by the end of the quarter, the number of working days is calculated from the start date of the suspension to the end of the quarter.

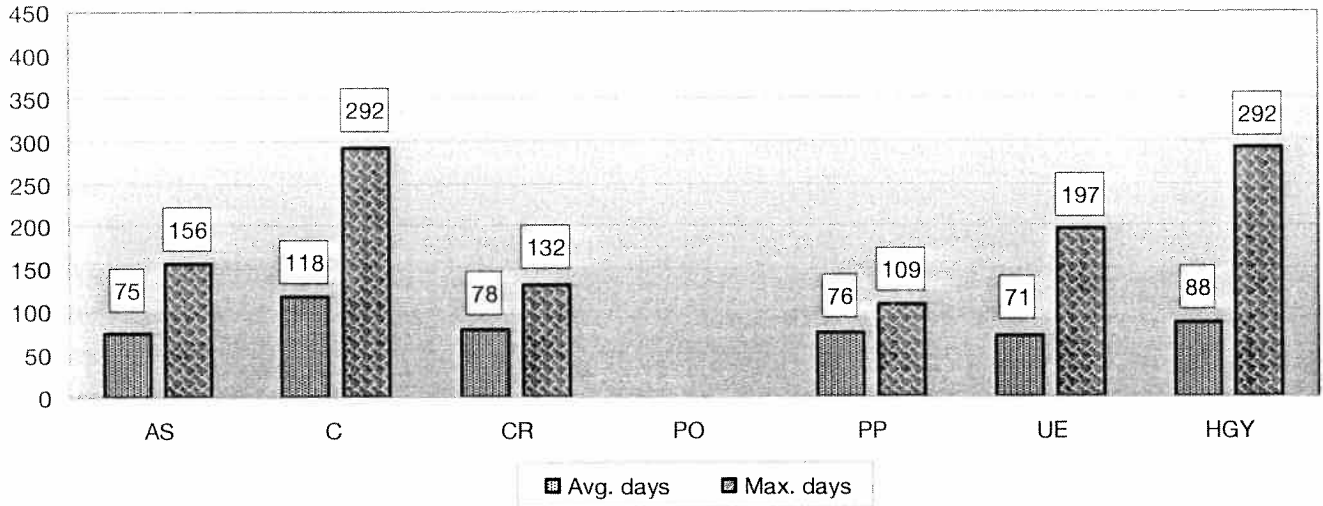
The table also identifies, by directorate, the average number of days suspension for all cases, the maximum days for a single case and average days suspension for cases heard within that period.

Timescales (no of days) of Suspension Cases										
Directorate	1-60	61-120	121-180	181-240	240+	Total cases	Total days	Avg days of total cases	Max. Days	Total cases heard
AS	3	2	1	0	0	6	452	75	156	2
C	2	4	0	1	1	8	944	118	292	0
CR	2	2	1	0	0	5	392	78	132	3
PO	0	0	0	0	0	0	0	0	0	0
PP	1	1	0	0	0	2	151	76	109	0
UE	3	2	0	1	0	6	427	71	197	4
HGY	11	11	2	2	1	27	2366	88	292	9
Total cases closed	4	3	1	1	0	9				

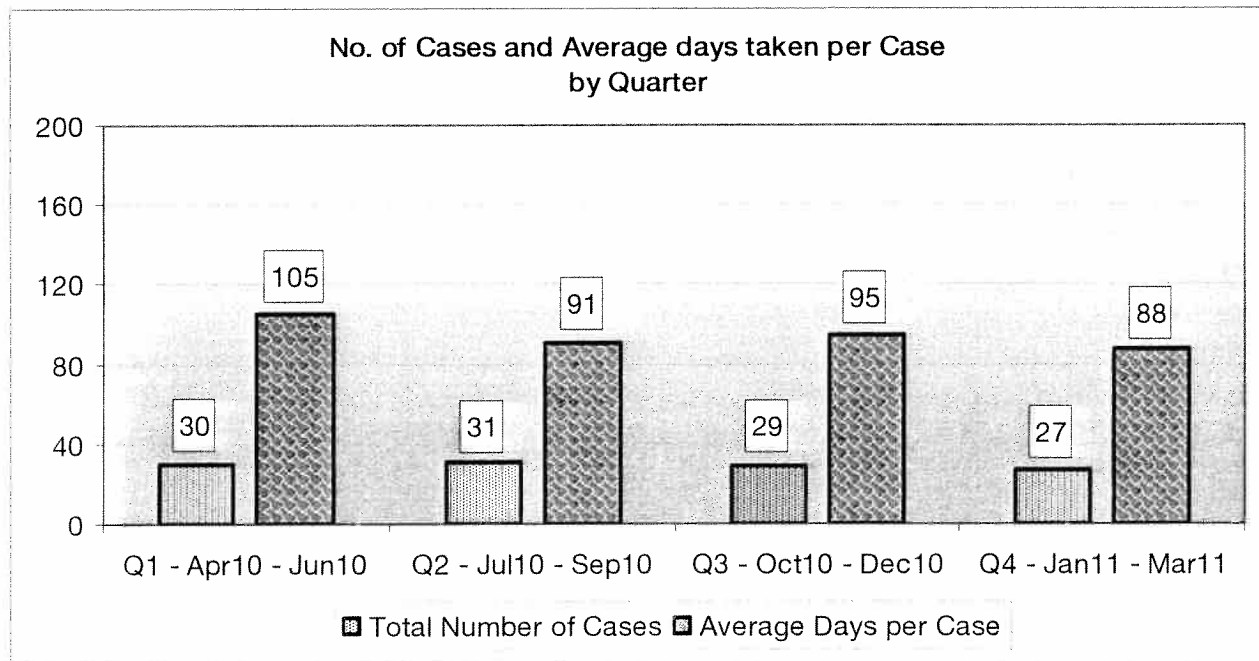
On average, 88 days were spent on each suspension case within the quarter.

The chart below illustrates the average and maximum number of days taken for a suspension case by Directorate for the quarter.

Average and Maximum Days Taken for Suspension Cases by Directorate



The chart below looks at the number of suspension cases per quarter for a rolling year and highlights Haringey Council's average number of days per case.



The average number of days suspended has reduced by 17 days from 105 days in Quarter 1 to 88 days in Quarter 4.



Haringey Council

Agenda item:

**[No.]****Audit Committee****On 19 April 2011**

Report Title: Internal Audit Annual Plan and Strategy 2011/12

Report authorised by: Director of Corporate Resources

*J. Power 11/4/11*

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

Tel: 020 8489 5973

Email: [anne.woods@haringey.gov.uk](mailto:anne.woods@haringey.gov.uk)

Wards(s) affected: All

Report for: Non-key decision

**1. Purpose of the report**

1.1 The purpose of this report is to inform members of the proposed Annual Internal Audit Plan for 2011/12.

1.2 The report also advises Members of the internal audit strategy.

**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.

**3. Recommendations**

3.1 That the Audit Committee notes and approves the internal audit strategy.

3.2 That the Audit Committee approves the Annual Internal Audit Plan for 2011/12.

**4. Reason for recommendation(s)**

4.1 The Audit Committee is responsible for reviewing and approving the annual internal audit plan as part of its Terms of Reference. In order to facilitate this, a draft audit plan is provided for review and approval 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 sets out the planned programme of work for 2011/12.

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 Head of Legal Services has been consulted in the preparation of this report, and in noting that both the plan and the strategy adopt recognised current best practice, advises that there are no direct legal implications arising out of the report.

**8. Chief Financial Officer Comments**

8.1 The Chief Financial Officer notes the proposed 2011/12 internal audit plan and strategy and the allocation of the 1000 days of work to be delivered from the contracted out service. The plan reflects current best practice requirements for internal audit and ensures that, over the life of the contract, the Council's key systems and services will be appropriately reviewed according to risk. This approach also ensures that the council operates a fully integrated internal audit and risk management process.

8.2 As outlined in section 15.2 the small in-house team is responsible for investigations into allegations of financial irregularity, pro-active anti-fraud work, provision of advice on risk and controls and grant certification work. This is on top of the planned work set out in the attached appendix.

8.3 The Council's 2011/12 financial planning process included a reduction in planned audit days of 150 compared to 2010/11 generating an on-gong saving for the Council. The Chief Financial Officer is confident that this will not compromise the integrity of the audit service and can be managed without risk to the Council.

**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, Directors and the Assistant Chief Executive in the production of the draft internal audit plan.

## 12. Service Financial Comments

12.1 There are no direct financial implications arising from this report. The work completed by Deloitte and Touche to undertake the annual audit plan 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 are contained and managed within the Audit and Risk Management revenue budget.

## 13. Use of appendices

13.1 Appendix A – Draft internal audit plan and strategy 2011/12.

## 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 Local authorities are required by law to maintain an internal audit function. In addition, The Accounts and Audit (Amendment) (England) Regulations 2006 reinforce the statutory requirement and re-state the need for the Council to maintain an adequate and effective system of internal audit.

15.2 Within Haringey, the Internal Audit function is comprised of Deloitte and Touche, who undertake the majority of the internal audit work in accordance with the contract in place, including IT and procurement audit. The in-house team is currently responsible for investigations into allegations of financial irregularity, pro-active anti-fraud work, provision of advice on risk and controls and grant certification work.

15.3 Appendix A contains the proposed annual audit plan for 2011/12, which is fully risk based and has been derived following consideration of: planned organisational and efficiency savings; risk registers; new projects and procurement activities reported to the Cabinet and the Cabinet Procurement Committee; the Annual Audit and Inspection

Letter; and fraud investigation work completed in 2010/11. This approach reflects current best practice requirements for internal audit and ensures that, over the life of the contract, the Council's key systems and services will be appropriately reviewed according to risk. This approach also ensures that the council operates a fully integrated internal audit and risk management process.

15.4 Appendix A also includes the audit strategy which will be used to deliver the council's internal audit plan. As part of the contract with Deloitte and Touche, it is considered appropriate to keep members advised of the strategy and the way in which the service will be delivered and request their approval of it. The strategy has been drafted in accordance with the 2006 CIPFA Code of Practice and best practice guidance for public sector audit services.

## **16. The Annual Audit Plan 2011/12**

16.1 The proposed annual internal audit plan for 2011/12 is attached as Appendix A to this report. It gives outline details of the planned audit work on the key financial and other systems of the Council. The detailed scope for each project will be agreed with the client for the work at the planning stage of the audit. Timings for the projects have also been agreed, wherever possible, with the nominated clients to take account of any cyclical or other work pressures, although these may be subject to change during the course of the year.

16.2 The proposed projects have been discussed with directors and their management teams and will be subject to further discussions with the nominated client for each audit as part of the detailed planning process. All completed projects are subject to a formal follow up review process and the results of the follow up reviews will continue to be reported for information to Members, on a quarterly basis.

16.3 We will continue to work with the Council's external auditors, Grant Thornton, to ensure that audit coverage is maximised and duplication is avoided wherever possible in order to make the best use of our combined resources. A programme of meetings has already been planned during 2011/12 to ensure that use of audit resources is effective.

16.4 Included in the audit plan (within Corporate Resources and People & Organisation Development) are audits of key financial systems. We consider key systems to be those which are essential to the successful management of the Council, and where failure of the system would have a material effect on the organisation. These key systems, including payroll, accounts payable, accounts receivable, council tax, and housing benefits are therefore subject to regular review. This programme of work has been agreed with both the managers responsible and the council's external auditors.

This document sets out the annual internal audit plan for Haringey internal audits to be completed during 2011/12. The audits proposed within the plan are based on the potential risks facing business units and departments across the council in 2011/12 and take into consideration the corporate, departmental and business unit risk registers; business plans; and the Council's fraud profile and pro-active and reactive fraud work undertaken during 2010/11 to provide a fully integrated risk based annual audit plan. The proposed audits have been discussed and agreed with Directors and their management teams and the plan is submitted to the Audit Committee for final approval.

The council's strategy for delivery of the audit plan is included at the front of the 2011/12 annual audit plan. The strategy is set out below and presented to the Audit Committee for formal approval. It builds on the work completed by Deloitte and Touche since their re-appointment in April 2007. It is proposed that this approach is used for the contract with Deloitte and Touche and any significant changes to the internal audit strategy are reported to the Audit Committee for formal approval.

### 1. Introduction

#### 1.1 Purpose of the Internal Audit Strategy

The purpose of the draft internal audit strategy is to define the approach and methodology to be followed which will enable us to:

- Provide the Audit Committee with an opinion on the council's risk management, control and governance arrangements;
- Audit the risk management, control and governance arrangements through annual audit plans, which give priority to the organisation's objectives and risks;
- Identify improvements to the council's risk management, control and governance by providing management with recommendations arising from the audit work;
- Identify the audit resources required to deliver an audit service which meets relevant statutory requirements; and
- Ensure effective liaison and co-operation with both the council's and Homes for Haringey's external auditors.

#### 1.2 Roles and Responsibilities

The role of internal audit is to provide an independent and objective opinion to the Audit Committee on risk management, control and governance. The opinion given by internal audit is a key element of the framework of assurance which the Audit Committee needs to report on as part of their statutory annual reporting processes.

The opinion can, however, only be reasonable in the sense that no opinion or assurance can ever be absolute and is by definition an extrapolation of the evidence available. It is important to note that in practice the scope of the audit opinion may be constrained by factors such as the scope of audit access.

The Internal Audit opinion does not supersede the Audit Committee's responsibility for risk, control and governance and as long as internal audit work is demonstrably conducted in accordance with the Standards on Due Professional Care there can be no question of internal auditors being responsible for control failures.

### 2. Internal Audit Coverage, Approach and Assurance

#### 2.1 Internal Audit Coverage

##### 2.1.1 Identifying Internal Audit Coverage

It is not necessary to audit every aspect of risk, control and governance every year, but in determining the internal audit coverage we have taken account of the following:

- The Council's risk management processes and risk registers;
- Business plans and savings targets for each business unit across the Council;
- The pro-active and reactive anti-fraud work completed by internal audit and as part of the Council's participation in the National Fraud Initiative;
- The overall coverage will encompass the whole range of risks which the Council, and its external auditors, has identified as "key" to the achievement of its aims and objectives;
- High-risk systems or processes, as identified by the Council, will need to be audited on a regular basis to deliver the assurance required. However, such systems and processes need not be fully and systematically audited every year;
- An appropriate range of non-key risks will be included in each year's coverage to add to the comprehensiveness of the opinion;
- Risks not defined as key still require attention, to gain assurance that adverse impacts are not arising;
- In addition to existing risk, control and governance, consideration will be given to the extent of change taking place or planned to take place within the Council. Changing processes can be inherently more risky than established and known processes, and the identification and correction of weaknesses during development is more economical than after the process has been put in place; and
- Internal audit will discuss the assurance required with the Audit Committee to help ensure that appropriate coverage is planned.

##### 2.1.2 Gathering of Information

To enable us to prepare our internal audit strategy and proposed annual operational plan we will consult with key officers within the Council. At this point we have prepared a draft plan based on the considerations at 2.1.1, together with the results of our previous years' work for Haringey Council and our knowledge of the organisation. The proposed coverage may be further amended following discussions with Directors and their management teams during the year. Any significant changes to the audit plan during the financial year will be provided to the Audit Committee for formal approval.

## 2.2 Internal Audit Approach and Assurance

### 2.2.1 Risk Management Framework

The Council has a well established approach to risk management and the Audit Committee approves the Council's Corporate Risk Management Policy and Strategy on a regular basis. Risk management is included as part of the key corporate processes including business planning, project management framework and the development of business unit, departmental and corporate risk registers. All of these areas are considered when producing the draft annual audit plan. In some cases, these procedures and processes may be included in the audit plan to be reviewed in their own right.

### 2.2.2 Key Financial Systems

The Council has a number of systems which are important to achieving its operational objectives and have been identified by internal and external audit as 'key financial systems'. The key financial systems are those which would have a material impact on the council if they were to fail and include payroll, strategic financial management and budgetary control, accounts payable, accounts receivable, housing and council tax systems. As a result, a planned programme of work is in place which ensures that the key controls are tested on an annual basis and in-depth reviews are completed on a cyclical basis.

### 2.2.3 Assignment Planning

The assignments are planned to various depths and frequencies as follows:

**Depth of audit.** The definition of each type of audit is as follows:

**Verification:**

An audit to determine both the adequacy and effectiveness of the internal controls.

Evaluating the adequacy of internal controls will normally involve:

- Confirming the risks and the possible causes preventing the achievement of the aims and objectives of the area/system; and
- Assessing whether the controls are sufficient for the level of risk in the achievement of the aims and objectives of the area / system.

Effectiveness testing is carried out on key controls, normally on a sample basis, to assess their effective operation in practice. Key controls are those identified as vital to prevent a particular error, or covering a large number of causes of error.

**Validation:**

As an alternative to verification, for less significant areas and risks, a high-level audit will be carried out. This would determine if the documented risk is sensible, relevant and has an appropriate control strategy, action plan and assurance activities.

**Follow up:**

An audit to ascertain that previous audit recommendations have been implemented effectively.

Frequency of audit. Each audit will be prioritised depending on its significance to the Council and the planned depth and frequency will be as follows:

Priority Significance	Depth	Frequency of audit
High	Follow up and Verification	Annual
Medium	Follow up and Validation	Selected on the basis of risk
Low	Follow up and Validation	By Request Only

For each element of internal audit work identified, an estimate of the number of staff days, which will be required to conduct the work, will be made.

### 3. Relationship with External Auditors and other Assurance Providers

#### 3.1 Relationship with the External Auditors

As the Council and Homes for Haringey's Internal Auditors we will seek to meet regularly with the External Auditors for both organisations to:

- Consult on the audit plans;
  - Discuss matters of mutual interest;
  - Discuss common understanding of audit techniques, methods and terminology; and
  - Seek opportunities for co-operation in the conduct of audit work.
- In particular, we will offer the External Auditors the opportunity to rely on our work where appropriate. In any case of conflict with the External Auditors, we will consult with, or refer the matter to, the Chief Executive of the Council and/or Homes for Haringey.

#### 3.2 Reliance on Other Assurance Providers

It is not always necessary for internal audit to audit processes directly in order to gain assurance about them. The council's risk management processes identifies the officers responsible for managing risks and/or controls. As part of each audit we will consider the following:

- What other assurance processes are in place (e.g. Stewardship Reporting processes, documented Controlled Risk Self Assessment reviews, the work of other review or inspection teams); and
- The way in which these processes can themselves be audited and quality assured, in order that Internal Audit can consider how the work of these assurance processes can contribute to the overall assurance (without conduct of audit work which repeats actions already taken). This may involve:
  - Specific quality assurance audits of other assurance processes;
  - Auditing on a sample basis the specific work of assurance functions to gauge reliability of findings; and
  - Joint working with other review teams.

#### 4. Reporting Protocols

##### 4.1 Timing of Audits and Notification

Following approval of the annual internal audit plan, planning meetings will be arranged with the relevant managers to agree the detailed terms of reference for the relevant audit. This will take place at least three weeks before the commencement of the audit. Terms of reference will include the area objectives, audit scope and approach, planned schedule of interviewees, planned budget days and planned date for the exit meeting.

#### 4.2 Reporting

##### 4.2.1 Audit Reports

We have an agreed audit reporting protocol, which sets out the key stages of each audit and the responsibilities of both the auditor and the service managers and this has been provided to all service directors. Formal audit reports will be produced for each audit project contained within the annual audit plan, including establishment audits. The style of report may be varied by agreement with the relevant service director and Audit Manager, for example if major findings arise in one area. Following completion of the fieldwork, the auditor will provide feedback on the findings to the service manager in an exit meeting. Draft audit reports will be produced within three weeks of this meeting with final reports being issued within two weeks of the receipt of management's response to the draft report.

Reports will normally be produced in the agreed format. This will include:

- An executive summary explaining the context of the audit, summarising all conclusions and highlighting key issues arising;
- Detailed recommendations supported by a rationale together with management response, responsibility and agreed deadlines for implementation; and
- Timing of audit follow up work where appropriate.

Audit reports will provide an overall opinion on the level of control exercised over the auditable area or risk. This opinion will be based on the findings from the audit which will be assessed as follows:

*Priority 1:*

Critical business risk not being adequately addressed; weaknesses in key business controls; substantial non-conformance with regulations and accepted standards.

*Priority 2:*

Important business issues to be addressed; improvement area; inadequate risk identification or reduction; non-conformance with regulations.

*Priority 3:*

Minor non-conformances with the business management system; other business issues to be addressed, good working practices.

The following levels of opinion will be used in audit reports:

- 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.

#### 4.2.2 Audit Committee Reports

A progress report will be presented to the Council's Audit Committee on a quarterly basis, and will include a summary of completed work, plus the following details for each of the completed internal audits which received 'limited' assurance:

- Objectives of the audit;
- Overall conclusion about the level of assurance;
- Number of recommendations in each priority category;
- Full details of all recommendations;
- A note about any management responses which are of concern to the internal auditors; and
- A note about any failures by the management to fulfil the actions agreed in earlier internal audit reports.

Members of the Committee will also be provided with a monthly summary of all final audit reports and will be provided with full copies of our audit reports upon request. An Annual Report to the Council's Audit Committee will also be produced incorporating our annual opinion and an agreed statement of the overall assurance we are able to provide, and including details of audit coverage against audit plan, summary of major recommendations made, and commentary on significant areas or recommendations not implemented.

#### 5. Quality Assurance

We are committed to delivering internal audit services of the highest quality and technical standards, which we achieve by:

- Applying an audit methodology and approach that complies with Government and professional standards, including those issued by the Auditing Practices Committee, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA). Our assignment methodology has been developed through experience to ensure that our procedures are of the highest quality.
- Ensuring that all our staff employ the most efficient audit techniques as a result of on-the-job training and specially tailored courses given by our specialist internal audit training division "Aid to Industry".



We have also produced a detailed written Quality Manual, which covers all aspects of our service provision and includes the following features:

- Quality procedures;
- Detailed approach and documentation;
- Complaints procedures;
- Professional standards;
- Customer care procedures;
- Quality audit procedures; and
- Nominated individuals responsible for quality.

### 5.1 Performance Indicators

With regards to the published Combined Code and Smith Report, section D3.2 (c), the council's Audit Committee should monitor and review the effectiveness of the organisation's internal audit function. We detail below the performance indicators which are currently provided to the Audit Committee for the Internal Audit Service:

- Achievement of the internal audit plan;
- Length of time taken to complete investigations into financial irregularities; and
- Evaluation of the service by client managers.

### 6. Resources

The internal audit service is delivered by a mix of in-house staff and an externally provided contract. The mix of resources and work was considered and approved by the Audit Committee in June 2006. A five year contract based on the Audit Committee's recommendations was awarded to Deloitte and Touche Public Sector Internal Audit Ltd, in accordance with Council procedure rules, in April 2007. The full time, permanent members of staff investigate potential breaches of the council's disciplinary codes of practice, as well as pro-active counter-fraud audit projects, providing advice on risks and controls to managers and undertaking work to assist in the completion of specific grant certification processes. The outsourced contract will provide the remaining internal audit services in order to fulfil the council's statutory requirements under Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations. The contract for the outsourced audit work specifies the skills, resources and method statements required to enable delivery of the risk based audit plan.

## London Borough of Haringey – Draft Internal Audit Plan and Strategy 2011/12

### Haringey Internal Audit Coverage: 2011/12

The table below sets out the internal audit work to be completed during the 2011/12 financial year, which is in accordance with the contract. The total number of days to be delivered is 1,000; which does not include audit work that will be completed as part of the Service Level Agreement with Homes for Haringey. The breakdown of work can be summarised as:

Area	Directorate	Days
Key Financial Systems (KFS)	Corporate Resources	140
Directorate Systems and Risks	Corporate Resources	55
Procurement Audit	Corporate Resources	40
IT Audit	Corporate Resources	70
Directorate Systems and Risks	Place & Sustainability	120
Directorate Systems and Risks (including School Audits)	Children and Young People's Service	170
Directorate Systems and Risks	Adult and Housing Services	50
Directorate Systems and Risks (including KFS)	Chief Executives - People and Organisational Development	60
Follow Up	All Directorates	50
Management	All Directorates	90
Sub-total		845
Contingency		155
<b>Total</b>		<b>1000</b>

## London Borough of Haringey – Draft Internal Audit Plan and Strategy 2011/12

### Corporate Resources – Key Financial Systems and Directorate systems and risks:

Audit title	Indicative Scope	Client	Quarter	Days
Strategic Financial Management & Budgetary Control (KFS)	High level system audit, including follow-up of previous audit recommendations; and including documentation; and testing of both key and significant controls.	Head of Corporate Finance/ Head of Finance – Budgets, Accounting & Systems	3	15
Cash Receipting (KFS)	High level system audit, including follow-up of previous audit recommendations; and including documentation; and testing of both key and significant controls.	Head of Corporate Finance/ Head of Finance – Budgets, Accounting & Systems	3/4	15
Treasury Management (KFS)	High level system audit, including follow-up of previous audit recommendations; and including documentation; and testing of both key and significant controls.	Head of Corporate Finance/ Head of Finance – Pensions & Treasury	3	10
Accounting & General Ledger (KFS)	High level system audit, including follow-up of previous audit recommendations; and including documentation; and testing of both key and significant controls.	Head of Corporate Finance/ Head of Finance – Budgets, Accounting & Systems	4	15
Accounts Payable (Creditors) (KFS)	High level system audit, including follow-up of previous audit recommendations; and including documentation; and testing of both key and significant controls.	Head of Corporate Procurement/P2P Performance Manager/ Head of Finance – Budgets, Accounting & Systems	4	15
Pension Fund Investment (KFS)	High level system audit, including follow-up of previous audit recommendations; and including documentation; and testing of both key and significant controls.	Head of Corporate Finance/ Head of Finance – Pensions & Treasury	4	10
Accounts Receivable (Sundry Debtors) (KFS)	High level system audit, including follow-up of previous audit recommendations; and including documentation; and testing of both key and significant controls.	Head of Corporate Finance/ Head of Finance – Pensions & Treasury	3	15

# London Borough of Haringey – Draft Internal Audit Plan and Strategy 2011/12

Audit title	Indicative Scope	Client	Quarter	Days
	documentation; and testing of both key and significant controls.	Head of Finance – Budgets, Accounting & Systems		
Housing Benefits (KFS)	High level system audit, including follow-up of previous audit recommendations; and including documentation; and testing of both key and significant controls.	Head of BLT	3	20
Council Tax (KFS)	High level system audit, including follow-up of previous audit recommendations; and including documentation; and testing of both key and significant controls.	Head of BLT	4	15
NNDR (KFS)	High level system audit, including follow-up of previous audit recommendations; and including documentation; and testing of both key and significant controls.	Head of BLT	4	10
Teachers' Pensions contributions (Grant certification requirement 2010/11)	The Council is required to complete an annual statement showing teachers' pension contributions deducted and remitted in the year. Internal audit will complete sample testing to confirm that the requirements of the statement have been complied with for those schools with outsourced payroll providers.	Head of Corporate Finance/ Head of Finance, CYPs	1	5
Corporate Savings and Efficiency Programme	Review of key savings targets and progress for the HESP programme, including validation and monitoring of key delivery targets – suggested quarterly review against identified areas	Director of Corporate Resources	1-4	20
Use of external Counsel	Including monitoring of costs, approval processes for use, engagement, review of outcomes, market testing, contract monitoring.	Acting Head of Legal Services	1	10
Use of mobile phones	Following the corporate review of mobile phones, this audit will include compliance with the revised corporate scheme, monitoring of costs/income, approval processes for use, contract monitoring.	Head of IT Services	2	10
Customer Service Centres	There are two Customer Service Centres which	Head of BLT	tbc	10

## London Borough of Haringey – Draft Internal Audit Plan and Strategy 2011/12

Audit title	Indicative Scope	Client	Quarter	Days
Anti-fraud Programme – delivered by in-house Corporate Anti-Fraud and HB Investigation Team	<p>are scheduled to close during 2011/12. This audit will review key areas of income and expenditure to ensure that assets are retained or accounted for appropriately and any liabilities are minimised.</p> <p>National Fraud Initiative. Key investigation areas will include: Pensions; Payroll; Housing Benefit; Disabled badges; residents parking. Tenancy/Housing Fraud – joint initiatives with HfH and Housing Services. Housing Benefit Team – Investigations into fraudulent benefit applications and joint working with the police and other boroughs</p>	All Directors and ACE as required	1-4	N/A
<b>Total</b>				<b>195</b>

# London Borough of Haringey – Draft Internal Audit Plan and Strategy 2011/12

**Procurement Audit:**

Audit title	Indicative Scope	Client	Quarter	Days
Contract Standing Orders/ Scheme of Delegation	This will be a review to provide assurance that departmental use of the revised contract standing orders and scheme of delegation is compliant with statutory requirements and the Council's financial procedure rules.	Head of Corporate Procurement	2	10
Homeless Persons Accommodation/Temporary Accommodation – procurement audit	This will be a review to provide assurance that the system is compliant with statutory requirements and the Council's financial procedure rules, including contract standing orders.	Head of Corporate Procurement/ Deputy Director Housing Services	3	10
Supporting People – procurement audit	This will be a review to provide assurance that the system is compliant with statutory requirements and the Council's financial procedure rules, including contract standing orders.	Head of Corporate Procurement/ Deputy Director Housing Services	3	10
Hays Resource Management Contract – procurement audit	This will be a review to provide assurance that the system is compliant with statutory requirements and the Council's financial procedure rules, including contract standing orders.	Head of Corporate Procurement/ Head of HR	2	10
Review of corporate expenditure	Quarterly reviews to provide assurance that departmental expenditure is compliant with statutory requirements and the Council's financial procedure rules, including the scheme of delegation, and focusing on areas of high expenditure. This ongoing review will be completed by the corporate anti-fraud team.	Head of Corporate Procurement/ Head of Audit	1-4	N/A
<b>Total</b>				<b>40</b>

## London Borough of Haringey – Draft Internal Audit Plan and Strategy 2011/12

IT Audit:

Audit title	Indicative Scope	Client	Quarter	Days
External Challenge	This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over monitoring and management arrangements.	Head of IT Services	Tbc	5
Post Implementation Audit	This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over monitoring and management arrangements.	Head of IT Services	Tbc	12
Remote Working	This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over monitoring and management arrangements.	Head of IT Services	Tbc	10
iWorld Disaster Recovery Test	The test to be attended will be confirmed with the IT Security and Continuity Manager. The audit will look to review the processes for the DR test, attendance at the test and reporting of the test.	Head of Benefits & Local Taxation	Tbc	5
OHMS Application	The audit will examine as appropriate user access structure, logical access controls and security configuration of the system, together with sample testing of input, output, processing; audit trail controls, backup procedures and Business Continuity / Disaster Recovery arrangements, and any interfaces	Deputy Director – Housing Services	Tbc	10
IT Service Delivery	This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over monitoring and management arrangements.	Head of IT Services	Tbc	11
SPOCC Application audit	The audit will examine as appropriate user access structure, logical access controls and security	Head of IT Services	Tbc	10

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Audit title	Indicative Scope	Client	Quarter	Days
Server Virtualisation	<p>configuration of the system, together with sample testing of input, output, processing; audit trail controls, backup procedures and Business Continuity / Disaster Recovery arrangements, and any interfaces</p> <p>This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over monitoring and management arrangements.</p>	Head of IT Services	Tbc	12
<b>Total</b>				<b>75</b>



## London Borough of Haringey – Draft Internal Audit Plan and Strategy 2011/12

Place and Sustainability Directorate:

Audit title	Indicative Scope	Client	Quarter	Days
Public Realm Contract	This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over contract monitoring and management arrangements.	Acting Assistant Director One Frontline	2	10
Parking Services – Pay and Display	This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over contract monitoring and management arrangements; income collection, banking and reconciliation processes.	Acting Assistant Director One Frontline	1	10
Parking Services – Residents and other Parking Permits	This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over contract monitoring and management arrangements; income collection, banking and reconciliation processes.	Acting Assistant Director One Frontline	3	10
Parking Services – Financial	This will be a review to provide assurance that the financial arrangements are compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls including debt provision/ identification of valid debt/ collection of debt and/or tracing of debtors	Head of Finance Place and Sustainability/ Head of Income & Debt Management	2	10
Haringey Guarantee	This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls	Assistant Director Planning Regeneration	1	10

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Audit title	Indicative Scope	Client	Quarter	Days
One Frontline – implementation/ service delivery review	<p>over monitoring and management arrangements.</p> <p>This will be a review to provide assurance that the services' key controls have been identified and are adequate and effective in managing the risks, and the system is compliant with statutory requirements and the Council's financial procedure rules, including contract standing orders.</p>	<p>&amp; Economy</p> <p>Acting Assistant Director One Frontline</p>	3	10
Section 106 income and resources	<p>This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over income collection and receipt, banking and reconciliation; and allocation processes.</p>	<p>Acting Assistant Director One Frontline</p>	2	10
Highways income	<p>This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over income collection and receipt, banking and reconciliation; and allocation processes.</p>	<p>Acting Assistant Director One Frontline</p>	1	10
Library Service – stock management & control	<p>This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over stock control, monitoring and write off arrangements.</p>	<p>Assistant Director Culture Services</p>	2	10
Leisure Services - income	<p>This will be a review to provide assurance that the services' key controls have been identified and are adequate and effective in managing the risks, and the system is compliant with statutory requirements and the Council's financial procedure rules, including contract standing orders.</p>	<p>Assistant Director Leisure Services</p>	3	10
Parks Service – Delivery Changes – Implementation Review	<p>This will be a review to provide assurance that the services' key controls have been identified and are adequate and effective in managing the risks, and the</p>	<p>Assistant Director Leisure</p>	4	10

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Audit title	Indicative Scope	Client	Quarter	Days
Facilities Management – response repairs	<p>system is compliant with statutory requirements and the Council’s financial procedure rules, including contract standing orders.</p> <p>This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council’s financial procedure rules and include a review of key controls over expenditure, classification of works, approval and ordering processes, and contracts</p>	Services  Head of Corporate Property Services	3	10
<b>Total</b>				<b>120</b>

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## Children and Young People's Service:

Audit title	Indicative Scope	Client	Quarter	Days
Children's Centres	Establishment audits will be undertaken of the controls in place in key income and expenditure areas including: Management organisation; inspections and OFSTED; Budgetary control; Staffing; Disbursement accounting records; Asset management; Unofficial Fund; Data protection and security; Income; Health and safety.	Deputy Director Children's Networks	1-4	20
Children and families establishments	Establishment audits will be undertaken of the controls in place in key income and expenditure areas including: Management organisation; inspections and OFSTED; Budgetary control; Staffing; Disbursement accounting records; Asset management; Unofficial Fund; Data protection and security; Income; Health and safety.	Deputy Director Children and Families	1-4	20
Use of Petty Cash	This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and HMRC requirements.	Head of Finance, CYPS	2	10
School admissions and place planning	This will be a review to provide assurance that the services' key controls have been identified and are adequate and effective in managing the risks, and the system is compliant with statutory requirements and the Council's financial procedure rules, including contract standing orders.	Director CYPS	tbc	10
Business Continuity and Emergency Planning	This will be a review to provide assurance that the services' key controls have been identified and are adequate and effective in managing the risks, and the system is compliant with statutory requirements and the Council's financial procedure rules, including contract standing orders.	Director CYPS	tbc	10

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Audit title	Indicative Scope	Client	Quarter	Days
<p><b>Schools Audit Programme:</b> Primary and Secondary Schools</p>	<p>A risk based approach is taken in completing the schools audit programme. The audit will be a full review of the controls in place to ensure that the objectives of the service are met, covering the following areas: Management organisation; School inspections and OFSTED; Budgetary control; Staffing; Disbursement accounting records; Asset management; Unofficial Fund; Data protection and security; Income; Health and safety; and School meals.</p>	<p>Individual Schools' Head teachers/ CYPS Finance</p>	<p>1-4</p>	<p>100</p>
<p><b>Total</b></p>				<p>170</p>

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Adult and Housing Services:

Audit title	Indicative Scope	Client	Quarter	Days
Homes for Haringey client-side monitoring	This will be a review to provide assurance that the system is compliant with statutory requirements and the Council's management agreement with Homes for Haringey and financial procedure rules, including contract standing orders.	Director of Adult & Housing Services	4	10
Housing Options – private renting scheme	This will be a review to provide assurance that the system is compliant with statutory requirements and the Council's financial procedure rules, including contract standing orders.	Deputy Director Housing Services	2	10
Housing in Multiple Occupation – licensing arrangements.	This will be a review to provide assurance that the system is compliant with statutory and local requirements, including the Council's financial procedure rules and include a review of key controls over monitoring and management arrangements.	Deputy Director Housing Services	3	10
Establishment audits – Day Centres (adults)	Establishment audits at a sample of Day Centres will be undertaken. The audit will be a review of the controls in place in key organisational areas including: Budgetary control; income and expenditure records and management; Staffing; Asset records and management, including inventory stock/control; Data protection and security; Health and safety.	Deputy Director Adult & Community Services	2	20
<b>Total</b>				<b>50</b>

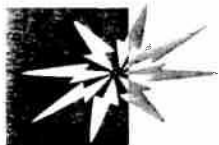
## London Borough of Haringey – Draft Internal Audit Plan and Strategy 2011/12

### Chief Executive – People and Organisational Development:

Audit title	Indicative Scope	Client	Quarter	Days
Payroll – Key financial system (annual audit)	High level system audit, including follow-up of previous audit recommendations, and including documentation, and testing of both key and significant controls.	Head of Shared Services	4	15
Voluntary Redundancy Programme	This will be a full review to provide assurance that the system is compliant with statutory requirements and the Council's financial procedure rules.	Head of HR	1	10
Framework agreement for external training	This will be a review to provide assurance that the system is compliant with statutory requirements and the Council's financial procedure rules, including contract standing orders.	Head of OD	2	5
Equalities – Equality Impact Assessments and compliance with Equalities Act 2010	This will be a full review of the controls in place to ensure that the objectives of the system and statutory processes are met, including services within the Council and those services provided on behalf of the Council by the Voluntary Sector.	Head of Policy/ Assistant & Deputy Directors	2	20
Value for Money	Internal Audit will provide support and assistance to the Council's corporate policy and performance and corporate finance teams to develop unit costs for key service areas during 2011/12. Comparative data and benchmarking information will be obtained from other London authorities to assist with the project.	Head of Policy	2-4	10
<b>Total</b>				<b>60</b>

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Haringey Council

Agenda item:

**[No.]****Audit Committee****On 19 April 2011**

Report Title: **Alexandra Palace – outcome of follow up audits at the Charitable Trust and Trading Company**

Report Authorised by: **Director of Corporate Resources**

*J. Fowler 11/4/11*

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

Tel: **020 8489 5973**

Email: **[anne.woods@haringey.gov.uk](mailto:anne.woods@haringey.gov.uk)**

Wards(s) affected: **All**

Report for: **Information**

**1. Purpose of the report**

1.1 To advise the Audit Committee of the outcome of follow up audit work completed by the independent internal auditors for Alexandra Palace and Park Charitable Trust and Alexandra Park Trading Limited.

**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 systems and undertaking investigations, where appropriate, to reduce risks and improve controls.

**3. Recommendations**

3.1 That the Audit Committee notes the contents of the report.

**4. Reason for recommendation(s)**

4.1 The Audit Committee is responsible for monitoring the completion of internal audit work completed and the implementation of agreed recommendations as part of its Terms of Reference. In order to facilitate this, reports are provided for review and consideration by the Audit Committee.

**5. Other options considered**

5.1 Not applicable

**6. Chief Financial Officer Comments**

6.1 The Chief Financial Officer notes that Mazars LLP, the internal auditors appointed by Alexandra Palace and Park trading company and charitable trust, have reported back that all but one of the outstanding recommendations has been implemented.

6.2 The Chief Financial Officer is satisfied with progress against the outstanding actions and will ensure that the final recommendation is monitored and completed when the current restructuring process is concluded.

**7. Comments of the Head of Legal Services**

7.1 The Head of Legal Services has been consulted in the preparation of this report, and advises that there are no direct legal implications arising out of the report.

**8. Equalities and Community Cohesion Comments**

8.1 This report deals with how risks to service delivery are managed within Alexandra Palace charitable trust and trading company, which have an impact on various parts of the Council and the community as a whole. Improvements in managing risks and controls will therefore improve services which Alexandra Palace charitable trust and trading company and the Council provides to all sections of the community.

**9. Consultation**

9.1 The follow up reports referred to in this report have been agreed by the respective internal auditors and officers at Alexandra Palace charitable trust and trading company.

**10. Service Financial Comments**

10.1 There are no direct financial implications arising from this report. The Council's Internal Audit service has previously provided advice and guidance where appropriate to support Alexandra Palace Charitable Trust and APTL in the implementation of recommendations. The cost of undertaking the follow up audit work was part of Alexandra Palace's own internal audit programme.

**11. Use of appendices**

11.1 Not applicable

**12. Local Government (Access to Information) Act 1985**

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

**13. Background**

13.4 The Council has previously provided temporary resources, including staff and financial support, to Alexandra Palace in order to assist in improving the systems and controls in place. In order to ensure that appropriate governance and internal control

arrangements were in place an internal audit was undertaken of both the charitable trust and trading company in 2008, using powers under section 151 of the Local Government Act 1972.

13.5 The Council's Internal Audit service undertook follow up reviews at both organisations to ensure that the agreed actions had been implemented. Since the original audit reviews were completed, there have been substantial changes to the management structure and personnel at Alexandra Palace. Both APTL and APPCT Boards approved the actions which were being undertaken and proposed by senior management in order to fully implement the audit recommendations.

13.6 Alexandra Palace and Park trading company and charitable trust subsequently appointed their own internal auditors, Mazars LLP, and the follow up of the original recommendations was included as part of their annual audit programme of work. The findings of the follow up work completed as part of their 2010/11 audit plan are summarised below. Internal audit is satisfied with the progress and actions taken to date to address the outstanding recommendations. Internal audit will continue to monitor the progress of the remaining recommendation.

#### **14. Alexandra Park Trading Ltd – follow up**

14.1 All of the three outstanding recommendations were confirmed as implemented by Mazars in March 2011. These related to:

- Review of existing contracts in place;
- The development of operational procedure manuals for all departments within APTL; and
- Review of the ice rink charging policy.

#### **15. Alexandra Palace and Park Charitable Trust – follow up**

15.1 Five recommendations remained outstanding from previous follow up work. Mazars latest audit, in March 2011 confirmed that four of these recommendations have been implemented. These related to:

- Adapting the NCVO Code of Governance to suit the Trust's circumstances;
- Producing and approving a risk management framework for the Trust;
- Documenting an operating framework between the Trust and Haringey Council; and
- Producing and documenting a contract management framework.

15.2 Mazars report that the one remaining recommendation is considered to be 'in progress'. This relates to the development and approval of a three year Business Plan for the Trust. A Draft Business Plan for 2010/13 was presented to the Trust Board in June 2010. However, both Alexandra Palace charitable trust and the trading company are currently undergoing planned restructuring, including the intention to appoint a joint Chief Executive, which is likely to impact on the Trust's ability to develop a detailed Plan in the short term.

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