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## Audit Committee

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TUESDAY, 21ST MARCH, 2006 at 19:30 HRS - .

MEMBERS: Councillors Rahman Khan (Chair), Bloch, Patel, Reynolds and E Prescott

### AGENDA

1. **APOLOGIES FOR ABSENCE**
2. **URGENT BUSINESS**
3. **DECLARATIONS OF INTEREST**
4. **MINUTES - OF 30TH JANUARY 2006 MEETING (PAGES 1 - 6)**
5. **DEPUTATIONS/PETITIONS**
6. **AUDIT COMMISSION: PROGRESS REPORT (PAGES 7 - 18)**
7. **2006/7 INTERNAL AUDIT PLAN (PAGES 19 - 56)**
8. **AUDIT COMMITTEES: CIPFA GUIDANCE FOR LOCAL AUTHORITIES (PAGES 57 - 66)**
9. **RISK MANAGEMENT UPDATE (PAGES 67 - 72)**
10. **STATEMENT ON INTERNAL CONTROL (PAGES 73 - 104)**
11. **RESPONSE TO PROJECT AND PROGRAMME MANAGEMENT REVIEW (PAGES 105 - 128)**
12. **NEW ITEMS OF URGENT BUSINESS**
13. **DATE OF NEXT MEETING - 27TH APRIL 2006**

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**MINUTES OF THE AUDIT COMMITTEE****30 January 2006**

Councillors: \*Gmmh Rahman Khan (Chair), \*Bloch, Gilbert, Patel, E. Prescott and Reynolds

\* Members present.

**AUD30. APOLOGIES: (Item 1)**

Apologies were received from Cllr Patel for absence as he was serving on an appeals panel.

**AUD31. URGENT BUSINESS: (Item 2)**

There were no items of urgent business.

**AUD32. DECLARATIONS OF INTEREST: (Item 3)**

There were no declarations of interest.

**AUD33. MINUTES: (Item 4)****RESOLVED:**

That the minutes of the meeting of Audit Committee on 27<sup>th</sup> October 2005 be approved as an accurate record.

The Chair requested that the Committee be updated by officers as to the progress being made in implementing decisions made by the Audit Committee.

**AUD34. DEPUTATIONS / PETITIONS: (Item 5)**

There were no deputations or petitions.

**AUD35. ANNUAL AUDIT AND INSPECTION LETTER (Item 6) and  
AUD 36. RESPONSE TO ANNUAL AUDIT AND INSPECTION LETTER (Item 7)**

Before receiving these reports the Chair informed the meeting, that as outlined in Haringey Council's constitution, this Committee had been entrusted to receive the Annual Audit Letter and to make any appropriate recommendations to the Council or the Executive in respect of these matters.

As Item 6 is the Audit Letter and Item 7 is the response from the Chief Executive and the Director of Finance, the Chair stated both the items would be taken together.

The District Auditor and the officers present agreed to these arrangements.

Then the District Auditor (Mr. Haworth-Maden) presented the Audit Commission's Annual Audit and Inspection letter to the Committee.

He informed Members that the Council's overall performance assessment rating had improved. It had attained 3 stars. Seventy-five percent of BVPIs (Best Value

Performance Indicators) had shown improvement.

On Value for Money Mr. Haworth-Maden mentioned that spend was generally high in comparison to the Council's near-neighbours. He said there was a mixed picture when assessing whether this spend was commensurate with the performance levels attained.

The District Auditor stated that on 31<sup>st</sup> October qualified approval had been given to the accounts. The qualification related to Alexandra Park & Palace finances and action had been taken to resolve this for future years. He informed the Committee that there were no significant issues relating to standards of financial conduct.

Mr. Haworth-Maden stated that one matter he would like to draw attention to was failures of corporate governance with relation to Tech Refresh. A key issue for the Audit Commission was that an action plan needed to be drawn up by the Council to prevent recurrence of the problems experienced. A report had already been received by the Executive and this would be presented to the Audit Committee at its next meeting.

Then at the invitation of the Chair, Mr Almeroth, Head of Corporate Finance presented the report in response to the letter to the Committee.

Section 8.6 of the report laid out how the four main issues raised by the Audit Commission would be dealt with. These had been presented to the Executive and had been approved by that body.

At this point Chair invited the members present to make queries/ questions to the reports.

Cllr Bloch asked a number of questions to officers and to the representatives of the Audit Commission. He asked what prompted their investigation into Tech Refresh, the rationale behind their wording of paragraph 47 relating to the termination of the employment of the previous Chief Executive and raised concerns about the NDC and mortuaries.

The representative of the Audit Commission (Ms. Mounfield) replied. She informed Members that the Council had asked for the Audit Commission to investigate Tech Refresh. Paragraph 47 was phrased in the way it was because the Audit Commission did not want to go into detail about individual cases and because they had no need to exercise their formal powers on the matter.

Ms. Mounfield confirmed that the NDC and mortuaries issues had been raised with them. These issues were still under investigation.

Then the Chair, highlighted that the Audit Committee had a duty to act independently of the Executive and Scrutiny with relation to matters brought before it.

Accordingly after thanking the Audit Commission for their independent work , the Chair noted with satisfaction the positive points of the report, as mentioned in Paragraphs 1, 3, 7, 9, 14, 17, 19, 30 and 36 of the Audit Commission's letter and commented that it was a source of pride for all members and officers that the Council had achieved overall CPA ratings 3 out of 4 but he was concerned about Paragraphs 2 and 38.

Paragraph 2 stated that the Council's spend was high compared to its near-neighbours. The Chair suggested that one significant means of tackling this would be to investigate zero-based budgeting as a budgetary strategy.

He pointed out that this procedure was suggested on page 271 of CIPFA's "Councillors Guide to Local Government Finance".(2005)

Accordingly he was confident that zero-based budgeting could apply to most areas of Council expenditure, with the exception of staffing costs.

As regards, paragraph 38 relating to Tech Refresh, the Chair was very concerned when looking at the headline of the report as to whether it happened due to a significant failure of Councils' corporate governance arrangement and whether the structure in operation for financial management was ineffective. A full report on the Tech Refresh issue would be presented to the next meeting of the Committee.

### **RESOLVED:**

1. That in addition to the 4 recommendations, ( in point 8.6 of the Report 7)) the Council take emergency action, so that the significant failures that have occurred in Tech Refresh Project do not recurr anywhere at the Councils' Services, pending the full action plan and that in the full action plan itself Council's constitution and procedure be reviewed in the light of the findings of the report.
2. To investigate zero-based budgeting as a budgetary approach for future years.
3. To thank members and officers for their achievement in obtaining a 3-star rating for the Council

### **AUD37. PROGRESS REPORT TO THE AUDIT COMMITTEE – JAN 2006: (Item 8)**

The Audit Commission presented a progress report to the Committee. It outlined both the progress made against the 2004/5 plan and the 2005/6 plan.

### **RESOLVED:**

That the report from the Audit Commission be noted.

### **AUD38. QUARTERLY REPORT ON INTERNAL AUDIT ACTIVITY – 2005/6 QUARTER 3: (Item 9)**

The quarterly report was presented to the Committee by the Head of Audit and Risk Management (Ms. Woods).

Ms. Woods informed the Committee that 77% of the planned audit work had been completed. She drew members' attention to the summary of fraud investigations done in-house.

Cllr Bloch mentioned that he had received representations which drew attention to irregularities in the mortuaries service. Ms. Woods alerted members to the whistle-blowing procedure that gave protection to members of staff who wished to bring to light irregularities that they found in the course of their work. Concerned staff could

contact her by email on [fraudcall@haringey.gov.uk](mailto:fraudcall@haringey.gov.uk)

The Chair proposed that the target for audits completed as a percentage of the planned programme be raised to 95%. It was currently 90%.

The Chair proposed that the target for user satisfaction be raised from 3.5 to 3.75, where 1 signified low satisfaction and 5 signified high satisfaction. Concern was raised that this was a performance indicator that was out of Internal Audit's control as it reflected the subjective ratings for client satisfaction coming from the client departments. The Head of Internal Audit stated that she thought this was a target that her service should be aiming for, but did suggest that very high ratings were impossible to achieve because a service might rate Internal Audit poorly if they had a lot of recommendations given to them that they were unable to implement to timescale. In such a case, the service provided by Internal Audit would be good; but the client department might be dissatisfied because of their inability to implement the recommendations.

Concern was raised by the Chair as no FRAG-21 certificate had been obtained from ING.

On page 15 of Appendix A of the report, it was mentioned that expenses were not paid through payroll. They were paid through local imprest accounts. The Chair was concerned about this as this had been identified as a weakness.

The Chair alerted Members to the fact that he had sent a letter to all Executive Members and the Chief Executive after the last Audit Committee meeting to ensure that the recommendations of the reports were implemented on time

The Chief Executive ultimately suggested that that the Heads of Service whose services were not complying with recommendations from Internal Audit should be summoned to attend the Audit Committee.

That suggestion of the Chief Executive had been agreed by the Chair and the Director of Finance for implementation henceforth.

The Chair noted that there were a number of outstanding cases where employees were under investigation for alleged irregularities. He wished them to be completed as promptly as possible and in line with proper procedure.

**RESOLVED:**

1. That the Quarterly Report on Internal Audit be noted.
2. That the Head of Audit and Risk Management through the relevant Executive Members ensure to take all necessary action to expedite outstanding cases. In case of failure, arrangements are to be made to call the respective Head of Service to the Audit Committee to explain the reasons for delay or non-compliance with the recommendations.

**AUD39. PROGRESS REPORT ON COUNTER-FRAUD ACTIVITY RELATING TO HOUSING BENEFIT AND COUNCIL TAX BENEFIT: (Item 10)**

The Deputy Head of Benefits and Local Taxation (Mr. Fisher) presented a progress report to the Committee on counter-fraud activity by his department.

Mr. Fisher informed members that the 'Pathfinder' initiative would continue. There were 5 key areas identified for improvement: structure, resources, I.T., relations with BLT/C-FIS and business plan/targets. The scheme had resulted in 11 sanctions this quarter and 33 for the year-to-date.

The Committee was informed by Mr. Fisher that the Fraud Investigation Team had issued 19 sanctions this quarter. The 3<sup>rd</sup> quarter target had been 28. Since 1<sup>st</sup> April 2005, 57 sanctions had been issued. They were cautions, administrative penalties or prosecutions.

Mr. Fisher informed members that estimated overpayments due to fraud were £782,000. He mentioned to the Committee that the Council obtained a 40% subsidy for these overpayments.

Members asked Mr. Fisher what percentage of the amount overpaid had been recovered from claimants. Mr. Fisher estimated that 30% had been. He alerted members to the fact that many claimants were on social security benefits or on low incomes and so were not able to repay the amount they had been overpaid in the past at a high rate.

Members requested that Mr. Fisher provide comparative figures from other boroughs about overpayment recovery if this could be obtained from them.

**RESOLVED:**

1. That the report be noted.
2. That comparative figures on overpayment recovery are provided.

**AUD40. CPA ACTION PLAN UPDATE: (Item 11)**

The Head of Corporate Finance (Mr. Almeroth) presented a report to the Committee to update it on the implementation of the CPA action plan.

The Committee was advised that a 'traffic light' rating system was being used to measure progress. Items were listed as being green, amber or red depending on what had been achieved.

The Chair drew attention to point 2.47. It stated that the Executive should receive fully accrued financial monitoring reports on a quarterly basis. The Chair wished to see the product of this when completed.

Regarding point 4.3, the Chair asked that the further recommendations made at the October meeting of Audit Committee be incorporated into the Council's actions regarding the corporate risk register.

The Chair commented, in relation to point 4.31 that the standing orders, delegations, financial instructions etc be reviewed in the light of the Tech Refresh

Project

The Chair advised the Committee that CIPFA (2005-Appendix-3) had issued guidance on the Role of Audit Committees. CIPFA's guidance stated that the chief finance officer (or deputy), head of internal audit, and appointed external auditor and relationship manager should be regular attendees. CIPFA further states that other attendees may include the monitoring officer (for standards issues), chief executive and head of resources (where such a post exists). The Head of Audit and Risk Management advised that CIPFA does not identify these officers as compulsory attendees, and a full report on the CIPFA guidance would be submitted to the next meeting of the Audit Committee.

**RESOLVED:**

1. That the progress report of the Director of Finance be noted.
2. That the recommendations made by the Committee regarding the corporate Risk Management Strategy at its October meeting be incorporated into the CPA action plan.
3. That the review of financial standing orders and the scheme of delegation take account of the lessons learned from Tech Refresh.

**AUD41. NEW ITEMS OF URGENT BUSINESS: (Item 12)**

There were no new items of urgent business.

**DATES OF NEXT MEETINGS:**

**Tuesday, 21 March 2006**, at 19:30 at the Civic Centre  
**Thursday, 27 April 2006** at 18:30 at the Civic Centre

**Note:**

The meeting ended at 20.30 hours.

**COUNCILLOR GMMH RAHMAN KHAN  
CHAIR**



Audit Summary Report

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16/06/2005

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# **External audit Progress report to the Audit Committee- March 2006**

**Haringey London Borough Council**

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national services for the public. Our remit covers more than 12,000 bodies which between them spend nearly £100 billion of public money every year. Our work covers local government, housing, health, criminal justice and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure public services are good value for money.

### **Status of our reports to the Council**

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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## Introduction

- 1 Appendices A and B summarise the progress against our 2004/05 and 2005/06 audit and inspection plans. We have the following issues to bring to your attention:
  - We have received on-going correspondence from members of the public in respect of mortuary costs and the Bridge NDC, which we are currently considering. As a result, we have not issued a certificate to conclude the 2004/05 audit
  - Our report on the Technical Refresh report was submitted to the Executive on 18th January and is attached as a separate item on this agenda. Members will be aware that an action plan has been drawn up by officers in response, which was presented to the Executive on 21 February 2006. We will follow up progress as part of the 2006/07 audit.

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## Appendix 1 – Progress made against 2004/05 audit and inspection plan

Area in Audit Plan	Key contact	Start date	Target date for issue of draft report	Date of draft report	Date of final report	Comment
Risk Based Planning						
Audit plan	David Warwick Andrew Travers	February 2004	March 2004		May 2004	Presented to Audit and Scrutiny Panel July 2004.
Audit Letter	Max Caller	Nov 2005	December 2005		31 January 2006	
Opinion						
Core Process Review	Andrew Travers	March 2005	July 2005	July 2005	February	No significant issues arising. Messages incorporated with report on audit of the financial statements.
Audit of financial statements	Andrew Travers	August 2005	November 2005	November 2005	February 2006	Key issues included in the 2004/05 Annual Audit and Inspection Letter.

6 Progress report to the Audit Committee - March 2006 | Appendix 1 – Progress made against 2004/05 audit and inspection plan

Area in Audit Plan	Key contact	Start date	Target date for issue of draft report	Date of draft report	Date of final report	Comment
Opinion	Andrew Travers	August 2005	October 2005	31 October 2005	31 October 2005	Opinion qualified in respect of Alexandra Palace long-term debt.
SAS 610 meeting	General Purposes Committee	October 2005				Meeting held on 24 October 2005.
Financial aspects of corporate governance						
Overall governance arrangements	Andrew Travers	March 2005				Issues reported through 2004/05 Annual Audit and Inspection Letter.
Probity in partnerships report	Andrew Travers	Set-up meeting February 2005	End of March 2006			
Prudential code of borrowing	Andrew Travers	Ongoing				No issues arising.
Social services financial management	Andrew Travers/Ann Bristow	Set-up April 2005	End of March 2006.			

Area in Audit Plan	Key contact	Start date	Target date for issue of draft report	Date of draft report	Date of final report	Comment
Performance/Improvement work						
BVPP	Lesley Courcouf	May 2004	December 2004			Unqualified opinion issued 14 December 2004.
BVPIs	Lesley Courcouf	June 2004	September 2004			One reserved PI – 192b (Average number of QTS teachers per 10 non-maintained settings).
‘Golden Thread’ performance management review – phase 3 (support services)	Justin Holliday	Set-up March 2005	October 2005	October 2005	December 2005	Key issues included in 2004/05 Annual Audit and Inspection Letter.
Regeneration inspection						Cancelled by agreement. Fee used to offset cost of Alexandra Palace objection, and consideration of correspondence.
Ethical governance	Andrew Travers	Set-up held in December 2005	End of March 2006.			

8 Progress report to the Audit Committee - March 2006 | Appendix 1 – Progress made against 2004/05 audit and inspection plan

Area in Audit Plan	Key contact	Start date	Target date for issue of draft report	Date of draft report	Date of final report	Comment
IT strategy (brought forward from 2003/04)	Justin Holliday	October 2004	February 2005.		August 2005	Final Aug 2005.

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## Appendix 2 – Progress against 2005/06 audit and inspection plan

Area in Audit Plan	Key contact	Start date	Target date for issue of draft report	Date of draft report	Date of final report	Comment
Risk Based Planning						
Audit plan	David Warwick Andrew Travers Lesley Courcouf	January 2005	March 2005		April 2005	Presented to May 2005 Audit Committee.
Audit Letter	Dr Ita O'Donovan	Ongoing	December 2006			
Opinion						
Interim opinion audit review	Andrew Travers	January 2006	May 2006			
Audit of financial statements	Andrew Travers	July 2006	November 2006			

10 Progress report to the Audit Committee - March 2006 | Appendix 2 – Progress against 2005/06 audit and inspection plan

Area in Audit Plan	Key contact	Start date	Target date for issue of draft report	Date of draft report	Date of final report	Comment
Opinion	Andrew Travers	July 2006	September 2006			
SAS 610 meeting	General Purposes Committee		September 2006			A meeting needs to be included in the scheduling for the GP committee for mid-September 2006.
Inspection						
Streetscene	Anne Fisher	TBA	TBA			To be discussed with the Council.
Indicative ALMO	Stephen Clarke	Jan 06	March 06			
Direction of Travel statement	Max Caller		December 2005	November 2005	December 2005	Included in the 2004/05 Annual Audit and Inspection Letter and on the Audit Commission website.
Use of resources						
BVPP opinion and PI audit memorandum	Eve Pelekanos	June 2005	December 2005			None of the 12 "high-risk" indicators selected by the Audit Commission for audit was subject to reservation.
Children's Act	Sharon Shoosmith/ Andrew	Set-up on 4 July	End October/early November	November 2005		Responses received from officers and report being finalised. Key issues arising

Area in Audit Plan	Key contact	Start date	Target date for issue of draft report	Date of draft report	Date of final report	Comment
	Travers	2005	2005			included in 2004/05 Annual Audit and Inspection Letter.
Use of Resources opinion	Dr Ita O'Donovan	Ongoing	September 2006			
Use of resources score	Andrew Travers	July 2005	November 2005	November 2005	November 2005	Key issues included in 2004/05 Annual Audit and Inspection Letter.
Review of Project Management - Technical Refresh	Max Caller	October 2005	December 2005	December 2005	January 2006	This work has been undertaken under our Code of Audit Practice responsibilities. It is additional work to our planned audit fee. The report was submitted to the 18th January 2006 Executive and is attached as a separate item on this agenda. Key issues have been included in the 2004/05 Annual Audit and Inspection Letter.

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**Audit Committee****On 21<sup>st</sup> March 2006**Report Title: **Annual Audit Plan 2006/07**Report of: **Director of Finance**Wards(s) affected: **All**Report for: **Non-key decision****1. Purpose**

1.1 The purpose of this report is to inform members of the proposed operational Annual Audit Plan for 2006/07.

**2. Recommendations**

2.1 That the Audit Committee approves the Annual Audit Plan for 2006/07.

2.2 That the Audit Committee approves the proposal to amend the assurance classification of final reports.

**Report Authorised by:** Andrew Travers  
Director of Finance

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

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**3. Reasons for any change in policy or for new policy development (if applicable)**

3.1 None

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

4.1 List of background documents:

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

- Deloitte strategic audit needs assessment;
- Departmental and Business Unit risk registers

## **5. Background**

- 5.1 Local authorities are required by law to maintain an internal audit function. In addition, The Accounts and Audit Regulations 2003 reinforce the statutory requirement and re-state the need for the Council to maintain an adequate and effective system of internal audit.
- 5.2 Within Haringey, the Internal Audit function is comprised of Deloitte, who undertake the majority of the internal audit work in accordance with the contract in place, which was extended for 12 months, in accordance with the terms of the contract and Procurement Committee approval. During 2005/06, approval was also given for Deloitte to take over the contract and procurement audit function for the remainder of the contract term. The in-house team is currently responsible for investigations into allegations of financial irregularity.
- 5.3 The annual audit plan takes account of the Audit Needs Assessment of the Council activities, completed by Deloitte at the start of their contract. This considers the risk and materiality (financial and other), of services and systems of the Council and classifies them as high, medium or low risk. This ensures that, over the life of the contract, all of the Council's systems and services will be reviewed.
- 5.4 Over the last 2 financial years, Haringey has put resources into improving the risk management arrangements across the Council. A series of risk registers are now in place at business unit, departmental and corporate level, which highlight the key risks at each of the levels across the council. The 2006/07 annual audit plan has
- 5.5 Work to embed the risk management process across the council was continued during 2005/06, including developing risk registers at Business Unit level. As this work has neared completion, Internal audit have been able to use the risk registers to develop the 2006/07 audit plan. The revised risk management strategy and implementation plan will ensure that the council can move towards a fully integrated internal audit and risk management process during the next financial year.

## **6. The Annual Audit Plan 2006/07**

- 6.1 The annual audit plan for 2006/07 is attached as Appendix A to this report. It gives details of the planned audit work on the key financial and other systems of the Council. Appendix A is divided into individual directorates.
- 6.2 In order to enhance the reporting process, we have included details of the reasons for inclusion, the planned scope and an identified client for each project are specified. Timings for the projects have been agreed with the clients to take account of any cyclical or other work pressures, although these may be subject to change during the course of the year.
- 6.3 The proposed projects have been discussed and agreed with each director and the client for each piece of work. All completed projects are subject to a formal follow up review process. The results of the follow up reviews, together with a summary of the key findings and recommendations for all finalised projects, will continue to be reported for information to the Audit Committee, on a quarterly basis.

- 6.4 We will continue to work with the Council's external auditors, the Audit Commission, to ensure that audit coverage is maximised and duplication is avoided wherever possible in order to make the best use of our combined resources. This is especially important as the changes to the Comprehensive Performance Assessment and international accounting standards are implemented. We will endeavour to ensure that the Council continues to make the most effective use of its audit resources.
- 6.5 The following table summarises the numbers of projects planned for 2006/07 by department. There are a number of areas where the final versions have not yet been agreed and these are highlighted below:

<b>Department</b>	<b>Total</b>
Corporate	<b>6</b>
Chief Executive	<b>2</b>
Children's Service	<b>6</b>
Environment	<b>4</b>
Finance	<b>15</b>
Social Services (incl Housing Strategy and Needs)	<b>5</b>
Chief Executive – IT audit	To be completed (100 days planned)
Procurement and contract	To be completed (100 days planned)
<b>Total</b>	<b>38</b>

- 6.6 Included in the above table 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, housing benefits etc. are therefore subject to regular review. This programme of work has been agreed with both the managers responsible and the external auditors.
- 6.7 The number of projects listed in the table above excludes the follow up reviews and visits to individual establishments as part of the schools and social services programmes. The above table also excludes the work we will be completing as part of the risk management development programme to support the directorates.
- 6.8 One of the key new developments is the inclusion of specific resources to assist the council's new project management framework. We will provide support to key projects, including advice to project boards at key stages of the scheme, as well as undertaking reviews of individual projects to ensure that the project is complying with the required framework, and financial, reporting and other functions are being managed appropriately. This is included as one project, although a number of smaller reviews will be completed.

## 7. Assurance classification of final reports

- 7.1 Since the contract with Deloitte has been in operation, final reports have been issued with a classification which indicated the level of assurance which could be obtained based on the audit work completed. The current classification applied is shown at Table 1 below.

**Table 1 – Current classification**

<b>Assurance Level</b>	<b>Definition</b>
Green Assurance	There is a sound system of control designed to achieve the system objectives.
Amber Assurance	While there is a basically sound system, there are weaknesses, which put some of the system objectives at risk.
Red Assurance	Control is generally weak leaving the system open to significant error or abuse.

- 7.2 The classification in Table 1 provided a recognisable and readily understandable summary for managers and members to assess the risks within the council's systems. Since the contract with Deloitte has been in place, the council has made progress and improvements to its key financial and non-financial systems and it is now considered an opportune time to review the assurance classification.
- 7.3 The proposed classification is detailed at Table 2 below. Using the proposed system would provide managers and members with a more accurate summary of the state of the system and allow a greater focus to be put on those systems classified as 'providing limited' or 'no' assurance.
- 7.4 Using the proposed classification, the majority of the council's key financial and non-financial systems would receive a 'full', or 'substantial' assurance rating.

**Table 2 – Proposed classification**

<b>Assurance Level</b>	<b>Definition</b>
Full Assurance	There is a sound system of control designed to achieve the system objectives.
Substantial Assurance	While there is a basically sound system, 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.



**8. Recommendations**

8.1 That the Audit Committee approves the Annual Audit Plan for 2006/07.

8.2 That the Audit Committee approves the proposal to amend the assurance classification of final reports.

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## Internal Audit Plan for 2006/2007

This document sets out the provisional Internal Audit coverage for the 2006/2007 financial year. This plan has been completed following meetings with the majority of members of CEMB although meetings are still to be held with the new Chief Executive, Director of the Children's Service and Assistant Chief Executive - Strategy. We will also be attending the SMT's throughout the Council in order to finalise the audit coverage. Any changes will be presented to the next Audit Committee. The plan has been set out according to the individual Departments, with a number of audit days included within our Corporate Audit Coverage.

It should be noted that with the commencement of the ALMO, Homes 4 Haringey, from the 1 April 2006 our audit coverage from the Council perspective will be focused on management arrangements in place within the Council to liaise and monitor with Homes 4 Haringey.

### Corporate Audit Coverage:

The document below sets out a number of audits that will be completed across the Council. These will include an element of central audit work whilst also working within the individual departments of the Council.

Audit time has instead been focused on a number of new areas. This includes Project Assurance, which will be completed across the entire Council, with coverage determined by the Council's own Project Risk Assurance, an increased level of Pro-Active fraud work (which will be agreed with the Head of Audit and Risk Management and a large scale exercise linked into Value for Money across the Council.

Audit area	Reason for Inclusion	Scope	Qtr	Client
<b>Control Environment Audit Coverage</b>				
CE1: Project Assurance Work (150 days)	Implementation of the Councils new Project Management Assurance Framework.	The audit work will consider key projects as identified by the Council as part of the overall delivery of the plan. Each audit will seek to identify and assess the application of the following key processes: <ul style="list-style-type: none"> <li>Application and understanding of the Council Project</li> </ul>	1-4	CEMB / Project Sponsors

Audit area	Reason for Inclusion	Scope	Qtr	Client
<b>Control Environment Audit Coverage</b>				
		<p>Management;</p> <ul style="list-style-type: none"> <li>• Project monitoring and reporting;</li> <li>• Impact of risks and issues, and the distinction between the two;</li> <li>• Delegation of responsibility;</li> <li>• Monitoring of the Critical Path; and</li> <li>• Actions to ensure delivery of the project, and contingency reporting and actions.</li> </ul> <p>Individual audits will consider the following areas with regards to the set up of projects:</p> <ul style="list-style-type: none"> <li>• Overview of the project organisational structure at a high level, i.e. project sponsors, project board etc.;</li> <li>• Understanding of the criticality of the project to the business, and get a feel for the business case;</li> <li>• Brief overview of the project to date, and the key risks within the project;</li> <li>• Details of the project team and relevant skills;</li> <li>• Key third party involvement;</li> <li>• Process of management and the managements' views on risk management;</li> <li>• Role of the project office;</li> <li>• Change management and enablement controls and procedures;</li> <li>• Technology used in the project / programme; and</li> <li>• Issues with implementing the solution.</li> </ul>		

Audit area	Reason for Inclusion	Scope	Qtr	Client
<b>Control Environment Audit Coverage</b>				
CE2: Project Risk and Control Advisory work (50 days)	To provide risk and control advice where identified by management.	The use of the audit days will be determined by management of the Projects. The resource is to provide risk and control advice in the development of new systems and project progress. Individual audit projects will be scoped and a terms of reference agreed with the Project Sponsor.	1-4	CEMB / Project Sponsors
CE3: Corporate Governance (20 days)	To assess the arrangements in place that provides assurance that the Council is discharging its responsibilities.	Key processes to be covered by the audit include: <ul style="list-style-type: none"> <li>• Control environment;</li> <li>• Commitment to Quality and Competence;</li> <li>• Ethical Standards and Control Consciousness;</li> <li>• Organisational Structure;</li> <li>• Delegation of Authority and Accountability;</li> <li>• Corporate Objectives and Strategic Planning;</li> <li>• Information and Communication; and</li> <li>• Monitoring and Corrective Action.</li> </ul>	1	Chief Executive
CE4: Risk Management (25 days)	To assess the implementation and embedding of Risk Management, both centrally and within individual Departments and Business Units.	Key processes to be covered by the audit include: <ul style="list-style-type: none"> <li>• Implementation of the risk management strategy;</li> <li>• Risk identification;</li> <li>• Risk assessment;</li> <li>• Risk treatment plans;</li> <li>• Risk reporting and action;</li> <li>• Cross departmental risk identification; and</li> <li>• Updating of risk registers.</li> </ul>	4	Chief Executive

Audit area	Reason for Inclusion	Scope	Qtr	Client
<b>Control Environment Audit Coverage</b>				
CE5: Partnership Arrangements (25 days)	To assess the processes in place for Partnership Management and management of partnership risk.	Key processes to be covered by the audit include: <ul style="list-style-type: none"> <li>• Identification of potential partners;</li> <li>• Identifying existing partnerships;</li> <li>• Identification of partnership outcomes;</li> <li>• Establishment of partnerships;</li> <li>• Assessment of partnerships, including appropriateness assessment;</li> <li>• Establishing contractual/ Service level agreements;</li> <li>• Monitoring and evaluation of partnerships;</li> <li>• Monitoring of outcomes;</li> <li>• Changes to the partnership; and</li> <li>• Ending partnership relationships.</li> </ul>	2	Head of Improvement & Performance
CE6: Value for Money (100 days)	To complete an exercise across the Council to identify whether there are arrangements in place to identify and manage Value for Money, and whether this is understood by staff.  All areas of the Council will be covered over a two year period.	This work is to be further scoped and agreed with the Director of Finance. Areas that will be included within the coverage include: <ul style="list-style-type: none"> <li>• Costs within Business Units and services, including understanding of the cost identification and budget setting process;</li> <li>• Identification of performance of the Business Unit and services and linkages to cost; and</li> <li>• Staff understanding of customer perception of the services being provided, how this is communicated and understood, and where appropriate, that action is being taken.</li> </ul>	1-4	Director of Finance

Audit area	Reason for Inclusion	Scope	Qtr	Client
<b>Control Environment Audit Coverage</b>				
CE7: Council Constitution Compliance (50 days)	To assess whether Business Units are adhering to aspects of the Councils Constitution.	<p>The overall plan for this work will be agreed centrally and communicated to all areas of the Council.</p> <p>Key processes included within the compliance audits will include:</p> <ul style="list-style-type: none"> <li>• Council standing order's;</li> <li>• Financial regulations;</li> <li>• Delegation of Authorities;</li> <li>• Recording of exemptions;</li> <li>• Equalities Standard for local government; and</li> <li>• Anti Fraud and Corruption.</li> </ul>	1-4	Director of Finance
CE8: Risk Management Support (60 days)	To update the Departmental level risk registers within the Council.	The days will be allocated for the facilitation of Control Risk Self Assessment workshops across Departments in order to update the Departmental Level Risk Registers.	1-2	Directors

## Finance Services Provisional Audit Plan for 2006/2007

This document sets out the provisional plan for the Finance audits to be completed during 2006/2007. We have also included, for information purposes, the audit work that will be completed at a corporate level. In contrast to previous years, for the key financial systems, we will only be completing key control testing. This will involve documenting any changes to the system and updating the system flowcharts and focusing our testing on those controls identified as being “key”. Full systems audits of the financial systems will be completed on a cyclical basis.

There will be a separate Procurement Audit plan (100 days) which will be scoped directly with the Head of Corporate Procurement and presented for approval.

Audit Area	Reason for inclusion	Scope	Qtr	Client
<b>Financial Systems Audits</b>				
RMF1: Risk Management Liaison (10 days)	To further develop and embed risk management within the department.	During the year we will work with the nominated officer to update the risk register information held on the Risk Register database for Finance. Reports will be provided to the Senior Management Team (SMT) on a quarterly basis.	1-4	Director/ Assistant Directors
RMF2: Risk Management Audit Coverage (20 days)	To provide assurance that key risks are being managed.	The scope of work will be agreed on a quarterly basis by the SMT. Following the monthly/quarterly meetings we will agree a programme of work with regards to the key risks. Dependent on agreement with the SMT, we will either provide advice regarding controls to manage the risk, assess the adequacy of the controls identified and/or assess the effectiveness of the controls identified.	1-4	Director/ Assistant Directors



Audit Area	Reason for inclusion	Scope	Qtr	Client
<b>Financial Systems Audits</b>				
MS1: Strategic Financial Management and Budgetary Control (10 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis – key control testing.</p>	<p>This will be a high level review focusing on the management controls to ensure that objectives are met, covering the following areas:</p> <ul style="list-style-type: none"> <li>- Budget setting;</li> <li>- Budgetary control and variance analysis;</li> <li>- Departmental management reporting;</li> <li>- Virements;</li> <li>- Corporate management reporting; and</li> <li>- Close down procedures.</li> </ul>	4	Head of Corporate Finance/ Finance Manager
MS2: Cash Receipting (10 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis – key control testing.</p>	<p>High level audit, including documentation and testing of both key and significant controls covering the following areas:</p> <ul style="list-style-type: none"> <li>- Policies and procedures;</li> <li>- Staff training;</li> <li>- Reconciliations;</li> <li>- Posting of receipts to the general ledger;</li> <li>- Segregation of duties;</li> <li>- Investigation of unidentified payments;</li> <li>- Storage of income;</li> <li>- Banking of income;</li> <li>- Returned cheques;</li> <li>- Management information being produced; and</li> <li>- IT access, security and disaster recovery.</li> </ul>	3	Head of Corporate Finance

Audit Area	Reason for inclusion	Scope	Qtr	Client
<b>Financial Systems Audits</b>				
MS3: Treasury Management & Implementation of Prudential Code (10 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis.</p>	<p>High level system audit including follow-up of previous audit recommendations, including documentation, and testing of both key and significant controls covering the following;</p> <ul style="list-style-type: none"> <li>- Legislative requirements are complied with;</li> <li>- Council assets are protected;</li> <li>- Necessary financial information is provided to ensure that the performance of the Council’s net cash flow is maximised;</li> <li>- Regular reconciliation carried out to support the integrity of loans and investments made;</li> <li>- Reporting complies with the legislation; and</li> <li>- Access to data is restricted.</li> </ul>	2	Finance Manager
MS4: Accounting/General Ledger (15 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis – key control testing.</p>	<p>High level system audit, including documentation and testing of both key and significant controls covering the following areas;</p> <ul style="list-style-type: none"> <li>- Data entry;</li> <li>- Completion &amp; recording of journals;</li> <li>- Management information &amp; reports produced;</li> <li>- Control account reconciliation;</li> <li>- Structure of the ledger; and</li> <li>- IT access, security &amp; disaster recovery.</li> </ul>	3	Finance Manager

Audit Area	Reason for inclusion	Scope	Qtr	Client
<b>Financial Systems Audits</b>				
MS5: Creditors (15 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis – key control testing.</p>	<p>High level system audit, including documentation and testing of both key and significant controls covering the following areas;</p> <ul style="list-style-type: none"> <li>- Receipt &amp; certification of invoices;</li> <li>- Input of invoices to system;</li> <li>- Payments;</li> <li>- Amendments to supplier master file;</li> <li>- BACS controls;</li> <li>- Cheque controls;</li> <li>- IT access, security &amp; disaster recovery; and</li> <li>- Follow up.</li> </ul> <p>Duplicate payments to be covered by the Pro Active fraud work with regards to Accounts Payable.</p>	3	Finance Manager
MS6: Payroll and Expenses (15 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis – will be linked to Human Resources.</p>	<p>High level system audit, including documentation and testing of both key and significant controls covering the following areas;</p> <ul style="list-style-type: none"> <li>- Policies &amp; procedures;</li> <li>- IT access, security &amp; disaster recovery;</li> <li>- Reliability &amp; integrity of transactions;</li> <li>- Joiners;</li> <li>- Leavers;</li> <li>- Variations &amp; adjustments to pay;</li> <li>- Payroll deductions; and</li> <li>- System reconciliation.</li> </ul>	4	Pay Support Manager / Head of Personnel

<b>Audit Area</b>	<b>Reason for inclusion</b>	<b>Scope</b>	<b>Qtr</b>	<b>Client</b>
<b>Financial Systems Audits</b>				
MS7: Pension Fund Investment (10 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis.</p>	<p>High level system audit, including documentation and testing of both key and significant controls covering the following areas;</p> <ul style="list-style-type: none"> <li>- Guidance &amp; training;</li> <li>- Verification of investments;</li> <li>- Purchases &amp; sales;</li> <li>- Income;</li> <li>- Performance monitoring; and</li> <li>- IT access, security &amp; disaster recovery</li> </ul>	3	Finance Manager
MS8: Debtors (10 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis.</p>	<p>High level system audit including follow-up of previous audit recommendations, including documentation, and testing of both key and significant controls covering the following;</p> <ul style="list-style-type: none"> <li>- Policies and procedures;</li> <li>- Raising of invoices;</li> <li>- Cash receipts;</li> <li>- Reconciliation to general ledger; and</li> <li>- Debt recovery.</li> </ul>	3	Finance Manager
MS10: Housing Benefits (20 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis – key control testing.</p>	<p>High level system audit including follow-up of previous audit recommendations, including documentation, and testing of both key and significant controls covering the following;</p> <ul style="list-style-type: none"> <li>- Policies and procedures;</li> <li>- IT access, security and disaster recovery;</li> <li>- Segregation of duties;</li> <li>- Compliance with scheme;</li> <li>- Backdated claims;</li> <li>- Fraud management;</li> <li>- Payments;</li> </ul>	4	Head of Benefits and Local Taxation

Audit Area	Reason for inclusion	Scope	Qtr	Client
<b>Financial Systems Audits</b>				
		<ul style="list-style-type: none"> <li>- Overpayments;</li> <li>- Reconciliation;</li> <li>- Budgetary control; and</li> <li>- Performance review.</li> </ul>		
MS11: Council Tax (10 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis – key control testing.</p>	<p>High level system audit including follow-up of previous audit recommendations, including documentation, and testing of both key and significant controls covering the following areas;</p> <ul style="list-style-type: none"> <li>- Organisational structure;</li> <li>- Methods of payment</li> <li>- Reconciliation between debit and valuation list;</li> <li>- Discount &amp; reduction applications;</li> <li>- Billing;</li> <li>- Receipts from taxpayers;</li> <li>- Suspense accounts;</li> <li>- Debt recovery action;</li> <li>- Write off;</li> <li>- Monitoring of collection rates;</li> <li>- Reconciliation with general ledger;</li> <li>- Refunds;</li> <li>- Void allowances;</li> <li>- Benefits assessments;</li> <li>- Policies and procedures; and</li> <li>- IT access, security &amp; disaster recovery.</li> </ul>	4	Head of Benefits and Local Taxation

Audit Area	Reason for inclusion	Scope	Qtr	Client
<b>Financial Systems Audits</b>				
MS12: NNDR (including Computer Audit) (10 days)	<p>Key Financial system.</p> <p>Identified in the Audit Needs Assessment as an area of High Risk.</p> <p>Completed on an annual basis – key control testing.</p>	<p>High level system audit, including documentation and testing of both key and significant controls covering the following areas;</p> <ul style="list-style-type: none"> <li>- Organisational structure;</li> <li>- Reconciliation between debit &amp; valuation list;</li> <li>- Charitable relief;</li> <li>- Billing;</li> <li>- Receipts from taxpayers;</li> <li>- Suspense accounts;</li> <li>- Debt recovery action;</li> <li>- Write off;</li> <li>- Monitoring of collection rates;</li> <li>- Reconciliation with general ledger;</li> <li>- Refunds;</li> <li>- Void allowance;</li> <li>- Policies &amp; procedures; and</li> <li>- IT access, security &amp; disaster recovery.</li> </ul>	4	Head of Benefits and Local Taxation
MS18: VAT (20 days)	Classified as High Risk in the Audit Needs Assessment.	We will agree the areas of focus of our work with management at the time of the audit. The audit will focus on key areas of concern regarding aspects of the VAT procedures.	1	Finance Manager
MS20: Income (10 days)	Classified as High Risk in the Audit Needs Assessment.	We will agree the areas of focus of our work with management at the time of the audit. The audit will focus on key areas of concern regarding aspects of the income collection and/or generation process.	3	Head of Corporate Finance

Audit Area	Reason for inclusion	Scope	Qtr	Client
<b>Financial Systems Audits</b>				
MS21: Imprest Accounts (25 days)	To verify the Imprest Accounts in operation, including cash held, controls over monies, insurance and security arrangements.	We will identify all Imprest Accounts currently in operation. The checks will include: <ul style="list-style-type: none"> <li>• Level of the Imprest;</li> <li>• Use of the Imprest Account;</li> <li>• Monies held;</li> <li>• Reimbursement;</li> <li>• Cash transit arrangements; and</li> <li>• Insurance.</li> </ul>	1	Head of Corporate Finance
MS22: Pro Active Fraud (80 days)	To complete a series of Pro Active Fraud audit pieces of work to attempt to identify fraudulent practise across the Council.	This is to be agreed as a separate plan across the Council.	1-4	Head of Audit and Risk Management
Follow Up	To verify that management have taken appropriate action to address outstanding risks.	Issue self-certification records to management. These will be followed up on a sample basis.	1-4	Audit Committee/ Directors

### Social Services – Internal Audit Coverage 2006/2007

To develop the risk management process within the Council it has been agreed by CEMB that the departmental risk registers will be refreshed and this information populated into the Risk Register database. The time to refresh the risk registers will be allocated from our central budget of risk management days and will not be included within departmental audit plans.

Furthermore, there may be aspects of the department considered as part of our Pro- Active Fraud coverage.

Audit area	Reason for Inclusion	Scope	Qtr	Client
Risk Management Liaison (10 days)	To further develop and embed risk management within the department.	During the year we will work with the nominated officer to update the risk register information held on the Risk Register database for Social Services.  Reports will be provided to the Business Process Programme Board on a monthly/quarterly basis.	1-4	Director/ Assistant Directors
Risk Management Audit Coverage (20 days)	To provide assurance that key risks are being managed.	The scope of work will be agreed on a quarterly basis by the Senior Management Team (SMT). Following the monthly/quarterly meetings we will agree a programme of work with regards to the key risks. Dependent on agreement with the SMT or the Business Process Programme Board we will either provide advice regarding controls to manage the risk, assess the adequacy	1-4	Director/ Assistant Directors



<b>Audit area</b>	<b>Reason for Inclusion</b>	<b>Scope</b>	<b>Qtr</b>	<b>Client</b>
		of the controls identified and/or assess the effectiveness of the controls identified.		
Housing Strategy and Needs (30 days)	Business Unit transferred from Housing.	To be agreed with the Assistant Director (meeting 21 March).	1-4	Assistant Director – Housing Strategy and Needs
Direct Payments (10 days)	Developments in the service. Management of new risks to the service.	The audit work will assess the systems for the management of individual budgets for care and the development of new systems within the service to manage the proposed process. This will include any pilot scheme, transfer of responsibility to the user and identification of Gershon efficiencies. It will be agreed prior to the work as to whether this looks at the development of the controls and provides advice on risk and control, or whether this audits the processes that have been developed.		Assistant Director – Business Improvement
Cooperscroft (10 days)	Residential property to be sold as a going concern.	The audit work will consider the operational controls in place and the handover process, including resident's monies, valuables, assets and TUPE arrangements.	1	Assistant Director – Older Peoples Service
Trentfield (10 days)	Residential property to be sold as a going concern.	The audit work will consider the operational controls in place and the handover process, including resident's	1	Assistant Director – Older Peoples Service

Audit area	Reason for Inclusion	Scope	Qtr	Client
		monies, valuables, assets and TUPE arrangements.		
Provider Risk Assessment (including Mental Health) (15 days)	Further development of the risk management process to meet Audit Commission requirements.	The audit work will build upon the risk management work already completed. The next stage is to consider the risk self assessment process for the service providers and verification of the checks on a sample basis.	3	Assistant Directors
Follow Up	To verify that management have taken appropriate action to address outstanding risks.	Issue self certification records to management. These will be followed up on a sample basis.	1-4	Audit Committee

## Chief Executives Services Provisional Audit Plan for 2006/2007

This document sets out the provisional plan for the Chief Executive's Service audits to be completed during 2006/2007. The audits proposed below are provisional. Following initial feedback from senior management we will complete a final draft version of the plan which will be subject to approval of the Audit Committee.

Audit area	Reason for Inclusion	Scope	Qtr	Client
Risk Management Liaison (10 days)	To further develop and embed risk management within the department.	During the year we will work with the nominated officer to update the risk register information held on the Risk Register database for Chief Executive's Services. Reports will be provided to the relevant management team on a quarterly basis.	1-4	Chief Executive/ Assistant Chief Executives/ Head of Legal Services
Risk Management Audit Coverage (20 days)	To provide assurance that key risks are being managed.	The scope of work will be agreed on a quarterly basis by the relevant senior management team. Following the quarterly meetings we will agree a programme of work with regards to the key risks. Dependent on agreement with the SMT, we will either provide advice regarding controls to manage the risk, assess the adequacy of the controls identified and/or assess the effectiveness of the controls identified.	1-4	Chief Executive/ Assistant Chief Executive's/ Head of Legal Services

Audit area	Reason for Inclusion	Scope	Qtr	Client
CE4: Equality (10 days)	<p>To provide assurance that the following key risks are being managed:</p> <ul style="list-style-type: none"> <li>• That the Council fails to achieve improvements against the “Equalities Standard for Local Government”.</li> </ul>	<p>Key processes to be covered by the audit include:</p> <ul style="list-style-type: none"> <li>• Identification and communication of the requirements for implementing the Equalities Standard for Local Government;</li> <li>• Strategy for implementing the Equalities Standard for Local Government;</li> <li>• Setting of departmental plans to implement the Strategy;</li> <li>• Monitoring of implementation; and</li> <li>• Feedback and lessons learnt.</li> </ul>	1	Head of Equalities
CE5: Attendance Management (15 days)	<p>To provide assurance that the following key risks are being managed:</p> <ul style="list-style-type: none"> <li>• That attendance management is not complete and completed on a timely basis;</li> <li>• That appropriate follow up action is not taken with regards to attendance issues;</li> <li>• That the reporting structures are unclear and do not allow management to address issues on a timely basis.</li> </ul>	<p>Key processes to be covered by the audit include:</p> <ul style="list-style-type: none"> <li>• Systems in place to monitor attendance;</li> <li>• Reporting systems for monitoring attendance (corporate and directorate);</li> <li>• Local systems to monitor attendance;</li> <li>• Action plans to address poor attendance; and</li> <li>• Escalation procedures and links to</li> </ul>	1	Head of Personnel

Audit area	Reason for Inclusion	Scope	Qtr	Client
		the disciplinary process.		
IT Audit Coverage (100 days)	The coverage for the IT Audit plan is to be specifically scoped and will be presented to the Audit Committee at the next meeting.		1-4	Assistant Chief Executive - Access

## Children's Service Provisional Audit Plan for 2006/2007

This document sets out the provisional plan for the Children's Service audits to be completed during 2006/2007. The audits proposed below are provisional. Following initial feedback from senior management we will complete a final draft version of the plan which will be subject to approval of the Audit Committee.

Audit area	Reason for Inclusion	Scope	Qtr	Client
Risk Management Liaison (10 days)	To further develop and embed risk management within the department.	<p>During the year we will work with the nominated officer to update the risk register information held on the Risk Register database for The Children's Service</p> <p>Reports will be provided to the SMT on a quarterly basis.</p>	1-4	Director/ Deputy Directors
Risk Management Audit Coverage (20 days)	To provide assurance that key risks are being managed.	The scope of work will be agreed on a quarterly basis by the SMT. Following the monthly/quarterly meetings we will agree a programme of work with regards to the key risks. Dependent on agreement with the SMT, we will either provide advice regarding controls to manage the risk, assess the adequacy of the controls identified and/or assess the effectiveness of the controls identified.	1-4	Director/ Deputy Directors

Audit area	Reason for Inclusion	Scope	Qtr	Client
CS2 : Child Protection (15 days)	<p>To provide assurance that the following key risks are being managed:</p> <ul style="list-style-type: none"> <li>• Children at risk are not identified;</li> <li>• Appropriate action with regards to risk assessments is taken;</li> <li>• Inappropriate care packages provided;</li> <li>• Service is not delivering its statutory responsibility;</li> <li>• Council is identified to have not taken appropriate actions when a child protection issue arises.</li> </ul>	<p>Key processes to be included:</p> <ul style="list-style-type: none"> <li>• Identification of children who are potentially at risk.</li> <li>• Assessment of client needs</li> <li>• Assessment of appropriate care package</li> <li>• Monitoring and review of service and service providers</li> <li>• Payments for services received; and</li> <li>• Budgetary Control.</li> </ul>	1	Deputy Director – Children and Families
CS3 : Child Placements (10 days)	<p>To provide assurance that the following key risks are being managed:</p> <ul style="list-style-type: none"> <li>• Children placed in an unsafe or unhealthy environment, reputation damage to the Council and failure to provide service;</li> <li>• Payments not made for the service provided;</li> <li>• Lack of funding to provide required service.</li> </ul>	<p>Key processes to be covered by the audit include:</p> <ul style="list-style-type: none"> <li>• Assessment and monitoring of service providers;</li> <li>• Placements are substantiated and supported;</li> <li>• Payments;</li> <li>• Placement Panel; and</li> <li>• Budgetary control and monitoring.</li> </ul>	1	Deputy Director – Children and Families

Audit area	Reason for Inclusion	Scope	Qtr	Client
<p>CS4 : Building Schools for the Future (BSF) (20 days)</p>	<p>To provide assurance that the following key risks are being managed:</p> <ul style="list-style-type: none"> <li>• Programme is not managed to deliver required actions during 2006/07;</li> <li>• BSF fails to consider the requirements of the Childrens Act 2004.</li> </ul> <p><i>The first new and refurbished schools are expected to be open in September 2008 with the remaining schools opened during the following two years. In addition, a brand new Sixth Form Centre is due to open in September 2007.</i></p> <p><i>All secondary schools are expected to start to see immediate improvements under BSF through the enhancement of their ICT facilities, which will commence during the next school year.</i></p>	<p>Key processes to be covered by the audit include:</p> <ul style="list-style-type: none"> <li>• Overview of the project organisational structure at a high level, i.e. project sponsors, project board etc;</li> <li>• Co-ordination of the individual projects within BSF;</li> <li>• Understanding of the criticality of the project to the business, and get a feel for the business case;</li> <li>• Brief overview of the project to date, and the key risks within the project;</li> <li>• Details of the project team and relevant skills;</li> <li>• Key third party involvement;</li> <li>• Process of management and the managements' views on risk management;</li> <li>• Role of the project office;</li> <li>• Change management and enablement controls and procedures;</li> <li>• Technology used in the project / programme; and</li> </ul> <p>Issues with implementing the</p>	4	Director BSF Programme



Audit area	Reason for Inclusion	Scope	Qtr	Client
		solution.		
CS5 : Sure Start: Early Years (10 days)	Previously audited in 2004-05 as part of Early Years & Play audit	<p>This will be a full review of the controls in place to ensure that the objectives of this service are met.</p> <p>The scope of the work will focus upon the management of the Sure Start funds, and the strategic management of Neighbourhood Nurseries and Children Centre funding. Specific areas of scope to include:</p> <ul style="list-style-type: none"> <li>• Receipt of funding;</li> <li>• Identification of spending areas;</li> <li>• Monitoring of spending;</li> <li>• Corporate governance and management arrangements in place; and</li> <li>• Completion of grant returns.</li> </ul>	1	Deputy Director – School Standards and Inclusion
CS6 : Sure Start: Play (10 days)	Previously audited in 2004-05 as part of Early Years & Play audit.	<p>This will be a full review of the controls in place to ensure that the objectives of this service are met.</p> <p>The scope of the work will be</p>	1	New Deputy Director (To be Confirmed)

Audit area	Reason for Inclusion	Scope	Qtr	Client
		<p>determined from discussions with the New Deputy Director and will focus upon the management of the Sure Start funds. Suggested areas of scope to include:</p> <ul style="list-style-type: none"> <li>● Receipt of funding;</li> <li>● Identification of spending areas;</li> <li>● Monitoring of spending;</li> <li>● Corporate governance and management arrangements in place; and</li> <li>● Completion of grant returns.</li> </ul>		
CS7: Financial Monitoring of Schools and Cheque book reporting (10 days)	This audit area has been highlighted as high risk and is audited every year. However, at the request of the client, no audit was completed for 2005-06.	<p>Full system audit, including documentation, and testing of both key and significant controls covering the following areas.</p> <ul style="list-style-type: none"> <li>● Monitoring and evaluation of local and statutory returns;</li> <li>● Reconciliations; and</li> <li>● Follow up of variances.</li> </ul>	2	Head of Children's Service Finance
CS8 : Primary Schools (80 days)	<p>This audit area is rated as medium risk.</p> <p>Audit - All schools to be covered</p>	A risk based approach will be taken when deciding the frequency at which schools will be audited and will focus on risk analysis for individual	1-4	Deputy Director School Standards and Inclusion

Audit area	Reason for Inclusion	Scope	Qtr	Client
	<p>within 4 years.</p> <p>Compliance with Financial Management Standard in Schools (FMSiS) – Not applicable until March 2008 for large Primary Schools.</p>	<p>schools. Factors to be taken into account include</p> <ul style="list-style-type: none"> <li>- History of financial mismanagement; and</li> <li>- Inability to manage deficits or surpluses. This will be a full review of the controls in place to ensure that the objectives of this service are met, covering the following areas: <ul style="list-style-type: none"> <li>● Management organisation;</li> <li>● School inspections and OFSTED;</li> <li>● Budgetary control;</li> <li>● Staffing;</li> <li>● Disbursement accounting records;</li> <li>● Asset management;</li> <li>● Unofficial Fund;</li> <li>● Data protection and security;</li> <li>● Income</li> <li>● Health and safety; and</li> <li>● School meals.</li> </ul> </li> </ul>		
CS9 : Secondary Schools (70 days)	This audit area is rated as medium risk.	As above for primary schools	1-4	Deputy Director School Standards and Inclusion

Audit area	Reason for Inclusion	Scope	Qtr	Client
	<p>Audit - All schools to be covered within 3 years.</p> <p>Compliance with Financial Management Standard in Schools (FMSiS) – This should be met by all Secondary Schools by March 2007. Therefore, compliance visits will be made to all Secondary Schools in the financial year, subject to agreement with the Director of Children Services.</p>	<p>Subject to agreement with the Director of Children Services, work will also include a visit to all secondary schools to check compliance with the Financial Management Standard in Schools.</p>		

**Client Side ALMO Provisional Audit Plan for 2006/2007**

This document sets out the provisional plan for Housing Services audits to be completed during 2006/2007. The audits proposed below are provisional. Following initial feedback from senior management we will complete a final draft version of the plan which will be subject to approval of the Audit Committee.

Audit area	Reason for Inclusion	Scope	Qtr	Client
<p>HS2 : ALMO Project Management (20)</p>	<p>Identified by management as an area of High Risk.</p> <p>Use of days on an ongoing basis and based on further discussions with management.</p> <p>To provide assurance that the following key risks are being managed:</p> <ul style="list-style-type: none"> <li>• That the management mechanisms between the Council and the ALMO do not enable the Council to discharge their S151 responsibilities;</li> <li>• That the Council and the ALMO do not work together effectively.</li> </ul>	<p>Key processes to be covered by the audit include:</p> <ul style="list-style-type: none"> <li>• Establishing management framework;</li> <li>• Setting contractual/service level agreements;</li> <li>• Management liaison and reporting; and</li> <li>• Decision making processes.</li> </ul>	<p>1-4</p>	<p>Director of Finance</p>

Audit area	Reason for Inclusion	Scope	Qtr	Client
BWF TMO (15 days)	To provide assurance that there are appropriate management arrangements in place within the TMO to discharge their responsibilities, from the perspective of the Council.	We will complete a high level audit of the financial and operational controls in place. The specific scope of the work will be set subject to the arrangements put in place with regards to the TWO.	2	Director of Finance

## Environment Services Provisional Audit Plan for 2006/2007

This document sets out the provisional plan for Environment Services audits to be completed during 2006/2007. The audits proposed below are provisional. Following initial feedback from senior management we will complete a final draft version of the plan which will be subject to approval of the Audit Committee.

Audit area	Reason for Inclusion	Scope	Qtr	Client
Risk Management Liaison (10 days)	To further develop and embed risk management within the department.	During the year we will work with the nominated officer to update the risk register information held on the Risk Register database for Environment Services. Reports will be provided to the SMT on a quarterly basis.	1-4	Director/ Assistant Directors
Risk Management Audit Coverage (20 days)	To provide assurance that key risks are being managed.	The scope of work will be agreed on a quarterly basis by the Senior Management Team (SMT). Following the monthly/quarterly meetings we will agree a programme of work with regards to the key risks. Dependent on agreement with the SMT we will either provide advice regarding controls to manage the risk, assess the adequacy of the controls identified and/or assess the effectiveness of the controls identified.	1-4	Director/ Assistant Directors

Audit area	Reason for Inclusion	Scope	Qtr	Client
Emergency and Business Planning (10 days)	To provide assurance that there are arrangements in place to manage operations if a disaster occurs.	The scope of the work will include: <ul style="list-style-type: none"> <li>• Business impact analysis;</li> <li>• Risk identification and evaluation;</li> <li>• Development of the business continuity plan;</li> <li>• Embedding of the business continuity plan; and</li> <li>• Testing of the business continuity plan.</li> </ul>	3	Director – Environment
Health and Safety (15 days)	To identify how Health and Safety Arrangements are applied and understood throughout the Department.	The scope of the work will include: <ul style="list-style-type: none"> <li>• How applied across the Department;</li> <li>• Risk assessments across staff;</li> <li>• Implementation of Council Policies.</li> </ul>	1	Assistant Director – Enforcement
Waste Management (15 days)	To provide assurance that key areas of the Waste Management process are being completed.	The specific areas of scope will be agreed at the time of the audit. This will include the contract management of the Waste Management service.	2	Assistant Director – Street Scene
Parking Control and Enforcement (15 days)	To provide assurance that key areas of the Parking Control and Enforcement process are being completed.	The specific areas of scope will be agreed at the time of the audit.	3	Assistant Director – Street Scene



**Management and Administration**

Audit area	Reason for Inclusion	Qtr	Client
Audit Management (100 days)	To include attendance at client meetings, review of audit files, preparation of Audit Committee reports and attendance at Audit Committee.	1-4	Audit Committee
Follow Up (70 days)	To complete follow up of all 2005/2006 audits. Priority 1 recommendations are to be followed up until they have been fully addressed.		

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**Audit Committee****On 21<sup>st</sup> March 2006**Report Title: **Audit Committees: CIPFA guidance for local authorities**Report of: **Director of Finance**Wards(s) affected: **All**Report for: **Non-key decision****1. Purpose**

- 1.1 To advise Members of the latest guidance issued by CIPFA on Audit Committees.
- 1.2 To provide a self-assessment checklist to indicate how compliant Haringey's Audit Committee is with the guidance.

**2. Introduction by Executive Member**

- 2.1 To deliver the core functions of an audit committee, providing effective leadership, on corporate governance, financial reporting and audit issues, it is expected that the council would empower the Audit Committee to ensure the full compliance of the new CIPFA Guidelines, as outlined at the report, for the interest of enforcing best practice, which in turn would enable the council to get further CPA ratings.

**3. Recommendations**

- 3.1 That Members note the guidance provided by CIPFA on the role of Audit Committees.
- 3.2 That Members agree the action plan to ensure that the Audit Committee complies with best practice and the CIPFA guidance.
- 3.3 That the Council empowers the Audit Committee to discharge its duties and responsibilities in accordance with the requirements of the new CIPFA guidance.

Report Authorised by: **Director of Finance**

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#### **4. Executive Summary**

- 4.1 Audit Committees are an essential part of good governance and this is recognised in the Comprehensive Performance Assessment (CPA) which incorporates a section challenging each local authority to demonstrate that their committee works effectively.
- 4.2 In order to assist local authorities to promote best practice and ensure their audit committees are effective, CIPFA have published guidance which covers the purpose, role and functions of an effective audit committee. The CIPFA guidance is not mandatory, or prescriptive. Each authority should review their existing arrangements and evaluate whether they are effective in terms of delivering the required functions.
- 4.3 This report sets out the main features of the CIPFA guidance and indicates where Haringey does, or does not, fulfil the suggested roles, responsibilities or best practice. An action plan is also attached which addresses any areas where revisions to existing arrangements are suggested.

#### **5. Reasons for any change in policy or for new policy development (if applicable)**

- 5.1 None

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

- 6.1 List of background documents:
- Audit Committees – Practical guidance for Local Authorities
  - Accounts and Audit Regulations 2003

#### **7. Background**

- 7.1 There are no statutory requirements for local authorities to have an Audit Committee. However, the Accounts and Audit Regulations 2003 state that a council is required *'to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions'*. Additionally, s151 of the Local Government Act 1972 requires council's to *'make arrangements for the proper administration of its financial affairs'*.
- 7.2 Although Audit Committees have been in place in many authorities, including Haringey, for some time, there has been no guidance setting out the principles, roles, responsibilities, functions and how such committees support the authority's corporate governance arrangements.
- 7.3 CIPFA's guidance is not mandatory, nor is it designed to be prescriptive. Each authority should assess their arrangements against the key principles and decide whether they are as effective as they need to be in order to contribute to good governance.

7.4 Although the guidance does not prescribe any particular model, it incorporates key features which should be common to all audit committees. These features form the framework of the guidance, as follows

- A Statement of purpose;
- Core functions;
- Features; and
- Structure and administration.

7.5 This report examines each of the key features and provides a summary in the next section as to how far Haringey's Audit Committee complies with the guidance. An action plan is attached to address any areas which indicate the need for further review.

## 8. Key Features of the CIPFA Guidance

### 8.1 Purpose

8.1.1 There are many benefits obtained from operating an effective audit committee, including raising awareness of the need for internal control and the implementation of audit recommendations; increasing public confidence in the objectivity and fairness of financial and other reporting; and reinforcing the importance and independence of internal and external audit.

8.1.2 The CIPFA guidance recommends that each local authority formally approves a Statement of Purpose for the Audit Committee, as follows:

*The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.*

8.1.3 Haringey does not have a separate statement of purpose for the Audit Committee, although each of the above areas are already contained within its terms of reference. In order to comply with the guidance, it is recommended that the Statement of Purpose is included as an introduction to the existing terms of reference for the Audit Committee.

### 8.2 Core functions

8.2.1 The audit committee should be able to improve corporate focus on the issues arising from risk management, internal control and reporting. The core functions of the audit committee are therefore summarised as follows:

- Internal Audit – formally approving (but not directing) the overall strategy to ensure it meets the council's strategic direction; approving the annual programme of audits; monitoring progress against the plan and assessing whether adequate skills and resources are available to provide an effective audit function; receiving and reviewing the annual audit report.
- External Audit – receiving and considering the work of the external auditor, including commenting on the programme of work and receiving final reports; contributing to the council's response to the Audit Commission's annual audit and inspection letter; ensuring there is effective working between all audit and inspection functions.

- Control strategies - receiving regular reports on action taken and continuing effectiveness of various control strategies including: risk management, assurance framework (including the production of SIC), local codes of corporate governance; anti-fraud arrangements, anti-corruption arrangements (including whistleblowing guidelines).
- Financial Statements – reviewing the financial statements, e.g. before approval under Regulation 10 of the Accounts and Audit Regulations, in conjunction with the external auditor’s SAS 610 report.

8.2.2 The terms of reference for Haringey’s Audit Committee already incorporate the majority of the recommended core functions. The main exception relates to the review of financial statements, although this is not listed within the self assessment checklist.

8.2.3 The review of the financial statements in Haringey is completed by General Purposes Committee. However, the Audit Committee does receive information in relation to the financial statements for review, including the Annual Audit and Inspection letter, Statement on Internal Control, and internal audit reports on key financial systems.

### 8.3 Features

8.3.1 Best practice requires that an audit committee remains independent of the Executive and Scrutiny functions and reports directly to Council. This is already in place within Haringey’s committee structure.

8.3.2 Other recommended features include the requirements that the Chair and members have knowledge, experience and interest in the various areas of responsibility, meetings are free from political influences, agenda papers are circulated in advance and subsequent decisions are reached promptly, and the committee plays a role in monitoring and, where necessary, chasing managers for responses to audit recommendations. Haringey’s Audit Committee conforms to and is able to demonstrate all these requirements.

### 8.4 Structure and Administration

8.4.1 Although CIPFA’s guidance does not prescribe any one model, it highlights some key elements of best practice as to how the audit committee should be set up and administered. These are summarised as follows:

- Independence – the audit committee needs to be independent from executive and scrutiny functions in order to be able to challenge on issues and report on major issues.
- Meetings – guidance recommends at least four meetings per year to allow for regular review and monitoring.
- Composition – the size of the audit committee is not prescribed and should be based on individual authorities requirements, although should abide by their rules on political balance and set an appropriate quorum.
- Skills and experience – no prescribed qualifications are set, but it is recommended that members have an understanding of the financial, risk and control and corporate governance issues facing the authority.
- Training – guidance recommends appropriate and timely training for members, covering both induction training and an ongoing programme of specific training in relation to the audit committee requirements and duties.

- Administration – guidance recommends regular attendance of the key senior management figures, including chief finance officer or deputy, head of internal audit and appointed external auditor and relationship manager. The committee should have the right to call any other officers or agencies of the council as required.

8.4.2 Haringey's Audit Committee fulfils the requirements of the CIPFA guidance in most areas. There are two areas where Haringey's practices differ from the guidance and these are explained below.

8.4.3 The guidance suggests that the Chief Executive, monitoring officer and head of resources may also attend meetings, although the self assessment checklist does not specify individual officers other than the authority's s151 officer or deputy. Haringey's terms of reference give the committee the authority to require any officer to attend meetings and the s151 officer or their deputy attend every meeting. The CIPFA guidance recommends appropriate induction and ongoing training. This area has been addressed within the member training strategy and training will be provided to audit committee members, both at induction and on an ongoing basis from May 2006.

## **9. Summary and Conclusions**

9.1 The CIPFA guidance outlines some key principles and features of audit committees and whilst not mandatory, indicates areas of recommended best practice. Haringey's Audit Committee complies with most of the guidance, as evidenced by the self-assessment questionnaire attached as an appendix to this report.

9.2 There are some areas within the guidelines which Haringey needs to address and these have been highlighted for action within the report. An action plan is attached to the report for approval.

## **10. Recommendations**

10.1 That Members note the CIPFA guidance on Audit Committees and the fact that Haringey is already undertaking most of the best practice features listed within the guidance.

10.2 That Members approve the action plan attached to this report.

<b>ISSUE</b>	<b>ACTION</b>	<b>RESPONSIBLE OFFICER(S)</b>	<b>TARGET DATE</b>
Audit Committee - Statement of Purpose	Incorporate the agreed statement of purpose as an introduction to the Audit Committee terms of reference in accordance with CIPFA guidelines	Head of Audit and Risk Management	31 March 2006
Induction training for Audit Committee members	Provide induction training for members at or before the first meeting of the 2006/07 Audit Committee	Head of Audit and Risk Management Audit Manager - Deloitte	June/July 2006
Advanced training for members	Provide training for members, including risk management, as part of the members training programme during 2006/07	Head of Audit and Risk Management Audit Manager - Deloitte	May/June 2006



### Self-assessment Checklist – Measuring the Effectiveness of the Audit Committee

Issue	Yes	No	N/A	Comment
<b>Terms of Reference</b>				
Have the committee's terms of reference been approved by full Council?	√			
Do the terms of reference follow the CIPFA model?		√		Audit Committee TOR are in line with suggested CIPFA model, covering all main requirements. Some revisions needed to ensure full compliance.
<b>Internal Audit Process</b>				
Does the committee approve the strategic audit approach and the annual programme?	√			
Is the work of the internal audit reviewed regularly?	√			
Are summaries of quality questionnaires from managers reviewed?	√			
Is the annual report, from the head of audit, presented to the committee?	√			
<b>External Audit processes</b>				
Are reports on the work of external audit and other inspection agencies presented to the committee?	√			External audit reports are presented. No other external reports.
Does the committee input into the external audit programme?		√		External audit plan presented to Audit Committee
Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?	√			
Does the committee take a role in overseeing: <ul style="list-style-type: none"> <li>• Risk management strategies</li> <li>• Internal control statements</li> <li>• Anti fraud arrangements</li> <li>• Whistle blowing strategies?</li> </ul>	√			

### Self-assessment Checklist – Measuring the Effectiveness of the Audit Committee

Issue	Yes	No	N/A	Comment
<b>Membership</b>				
Has the membership of the committee been formally agreed and a quorum set?	√			
Is the chair free of executive or scrutiny functions?	√			
Are members sufficiently independent of the other key committees of the council?	√			
Have all members' skills and experiences been assessed and training given for identified gaps?		√		Training programme for members has been revised and will be put in place during May 2006.
Can the committee access other committees as necessary?	√			
<b>Meetings</b>				
Does the committee meet regularly?	√			
Are separate, private meetings held with the external auditor and the internal auditor?	√			
Are meetings free and open without political influences being displayed?	√			
Are decisions reached promptly?	√			
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	√			
Does the committee have the benefit of attendance of appropriate officers at its meetings?	√			
<b>Training</b>				
Is induction training provided to members?		√		New induction training programme for members has been devised. This will include specific issues for audit committee.
Is more advanced training available as required?	√			Part of new training programme.

**Self-assessment Checklist – Measuring the Effectiveness of the Audit Committee**

<b>Issue</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comment</b>
Administration				
Does the authority's s151 officer or deputy attend all meetings?	√			
Are the key officers available to support the committee?	√			

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**Audit Committee**On 21<sup>st</sup> March 2006Report Title: **Risk Management – Implementation of Strategy**Report of: **Director of Finance****1. Purpose**

- 1.1 To inform the Audit Committee of the current position on risk management implementation across the Council.
- 1.2 To advise members of the framework agreed by CEMB to assist in the development of risk management and ensure it becomes embedded into strategic and operational business planning.

**2. Recommendations**

- 2.1 That the Audit Committee notes the report.

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**3. Reasons for any change in policy or for new policy development (if applicable)**

- 3.1 None

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

## 4.1 List of background documents:

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

- CPA Use of Resources KLOE's
- CIPFA Finance Advisory Network guidance

## 5. Background

5.1 The Council's revised Risk Management strategy was approved by CEMB, and the Audit Committee, in October 2005. The strategy detailed how risk management was to be further developed in order to ensure that it became embedded into the council's business planning and operational processes.

5.2 The Council has made some progress in implementing risk management since July 2003, when the first risk management policy was approved. However, the Audit Commission reported in their CPA 2005: Use of Resources Judgement that:

*'...these arrangements are not, however, embedded and processes for updating risks on an ongoing basis need to be developed....risk management arrangements are not yet adequate'*

5.3 The Audit Commission also commented that Internal Audit had undertaken to complete the majority of the risk management processes across the authority to date and that directorates and business units needed to 'own' risk management. Additionally, the Audit Commission stated that the Tech Refresh project demonstrated a failure to manage and report risks effectively.

5.4 Risk Management is an important element of the Use of Resources assessment. It is therefore essential that the Council takes appropriate action to ensure that the agreed Risk Management Strategy is implemented effectively and that the Council can demonstrate compliance with the relevant CPA elements.

5.5 To date, Internal Audit has facilitated the development of risk registers for directorates and business units, based on agreed business plans. Managers have then agreed the key risks and listed the controls in place to manage the identified risks. In a number of cases key controls have then been tested by Internal Audit and a report issued to managers on the outcome of the testing.

5.6 Updating the risk registers has been done by Internal Audit, in conjunction with service managers. Although all departments and business units have been included in the process, the Council has not been able to demonstrate that the process has been fully embedded. Directorate risk registers have not been comprehensively updated since their initial completion. The Council must therefore change the way in which the risk management process is implemented and embedded within its operations.

5.7 This report provides an update on progress since October 2005, proposals for developing the risk management processes and recommendations to ensure that the risk management strategy is implemented.

## 6 Progress to date

6.1 Table 1 below shows the progress made to date in compiling the risk registers at corporate, departmental and business unit level. The table also shows where Internal Audit has tested the controls which have been identified by managers to manage the risks contained in the risk registers.

Table 1 – as at February 2006

	Department	Level	Register Title	Risk Register status
1	Council	Corporate	Corporate Register	Agreed by CEMB
2	CE	Dept	Chief Executive	To be drafted
3	CE – Strategy	BU	Strategy – Communications	Draft issued for approval
4	CE – Strategy	BU	Strategy – Community Safety/ Youth Offending Service	Draft issued for approval; <b>YOS to be drafted</b>
5	CE – Strategy	BU	Strategy (remainder)	Draft issued for approval
6	CE – OD&L	BU	Organisational Development – OD&L HR Improvement & Performance	OD&L – Agreed by service; HR – Draft issued for approval; Imp. & Perf. – to be drafted.
7	CE – OD&L	BU	Organisational Development – Member Services	Agreed by service
8	CE	BU	Legal Services	Final agreed and tested
9	CE – Access	BU	Neighbourhood Management	Draft issued for approval
10	CE – Access	BU	Corporate IT	IT have their own risk mgt developed for use in quality mgt procedures.
11	CE – Access	BU	Libraries and Museums	Draft issued for approval
12	CE – Access	BU	Customer Services	Agreed by service
13	Finance	Dept	Finance	Agreed by service
14	Finance	BU	Benefits & Local Taxation	Draft issued for approval
15	Finance	BU	Corporate Finance	Final agreed and tested
16	Finance	BU	Audit & Risk Management	Final agreed and tested
17	Finance	BU	Corporate Procurement	To be drafted
18	Finance	BU	Corporate Property	Draft issued for approval
19	Children's Service	Dept	Children's Service	Education version agreed by service, need to update
20	Children's Service	BU	School Standards & Inclusion	Final agreed and tested
21	Children's Service	BU	Children & Families	To be drafted
22	Children's Service	BU	Community & Resources	Agreed by service
23	Children's Service	BU	Service Delivery & Performance	Agreed by service
24	Children's Service	BU	Business Support & Development	Agreed by service
25	Social Services	Dept	Social Services	Agreed by service
26	Social Services	BU	Older People	Agreed by service
27	Social Services	BU	Adults	Agreed by service
28	Housing	Dept	Housing	Agreed by service
29	Housing	BU	Housing Strategy and Needs	Draft issued for approval
30	Housing	BU	Housing Management (HRA ALMO)	HHBS - Draft issued for approval
31	Housing	BU	Housing Management (HRA non- ALMO)	To be drafted
32	Environment	Dept	Environment	Agreed by service
33	Environment	BU	Recreation	Agreed by service
34	Environment	BU	Street scene	Final agreed and tested
35	Environment	BU	Planning & Environment Control	Final agreed and tested
36	Environment	BU	Enforcement	Draft issued for approval

## **7 Implementation – the next steps**

- 7.1 Setting up the risk registers is only one part of the risk management process. In order to achieve real benefits from implementing risk management; demonstrate that managers 'own' their risks and the process is embedded; and achieve the highest rating as part of the CPA process, it is important that the risk registers are used properly, reviewed and kept up to date on a regular basis.
- 7.2 There needs to be a planned programme put in place to ensure that risk registers are monitored, reviewed and updated (by services managers); and tested (by internal audit) on a regular and systematic basis. Regular reporting to DMT's, CEMB and the Audit Committee also needs to be incorporated into the process.
- 7.3 To assist with this, Internal Audit have developed a database, which is in the process of being populated with the existing information from business unit and departmental risk registers.
- 7.4 As some risk registers contain information which has become out of date, these will need to be revised prior to entering into the database. It has been agreed by CEMB that Internal Audit facilitate risk management workshops, at directorate/DMT level, in order to complete the process to update the departmental risk registers. Internal Audit will confirm the information held with departments and agree a timescale to review and update any information which is out of date.
- 7.5 From 2006/07, Internal Audit will provide reports on a quarterly basis to each department and business unit. Departmental management teams will then be required to review and formally sign off their risk register on a quarterly basis. This will confirm that relevant managers have considered their risks, made any changes required, and given responsibility for actions to be taken to individual managers. The Chief Executives Management Board (CEMB) will review the corporate risk register on a quarterly basis, and update as appropriate.
- 7.6 The update may take the form of new risks, changes to or additional controls, and changes to risk scores. Key triggers for significant changes to risk registers will be new or changing regulations, implementation of new departmental or corporate projects, high staff turnover, changes in the external environment, and Internal Audit reviews. It should be noted that the changes in risks may result in changes to actions to manage the risks and the approach.
- 7.7 The risk database that will be populated by Internal Audit will be used to maintain an up to date risk position of the Council and provide the basis of reports to officers and Members. Examples of the reports which can be produced include:
- Risks assigned to individual officers;
  - Risks by each department;
  - RADAR map of risks;
  - Actions taken to manage risks.
- 7.8 Internal audit will provide an annual report to CEMB on risk management, including progress on implementing the strategy, results of the audit testing of the risk



management process and key controls and issues/recommendations to be addressed as part of the CPA process.

- 7.9 The role of the Audit Committee with regards to risk management is to confirm that a risk management process is in place and that the process is being embedded. This can be achieved through the receipt of appropriate reports with regards to risk management, including periodic reports regarding corporate, departmental and business unit level risk registers, and the work completed by internal audit to provide assurance that a risk management process is in place, and its operation across the Council. The Audit Committee will also, on an annual basis, review the corporate and departmental risks identified and confirm their acceptance of both the risks which have been identified, and the actions in place to manage them.
- 7.10 In order to ensure that the key processes and activities are completed, Table 2 below summarises the required actions and responsibilities which need to be completed during the year. Completion of these will ensure that the Council is better able to demonstrate that it has embedded risk management into financial and business planning. Note that Internal Audit will be undertaking a separate review of risk management systems and processes during the final quarter of 2006/07. The results of the review will be reported to CEMB and the Audit committee

**Table 2 – timetable of events/required actions**

<b>Date</b>	<b>Required action</b>	<b>Related business planning actions</b>
March 06	<ul style="list-style-type: none"> <li>• Directors to confirm risk management representatives within departments to Internal audit.</li> <li>• Internal Audit to provide latest versions of risk registers and reports from database to departmental representatives.</li> </ul>	
April-June 06	<ul style="list-style-type: none"> <li>• Internal Audit to attend DMT's to explain process and review output</li> <li>• Internal audit to agree risk mgmt programme of work</li> <li>• Directors and CEMB to include review of risk registers as agenda item on quarterly basis</li> <li>• Internal Audit to agree reporting requirements with DMT's and CEMB</li> <li>• Service managers to review (and update) risk registers and circulate to RM representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Business Plans finalised – x-ref to risk registers</li> <li>• List of key council-wide projects to be identified (and included on risk registers) as per new project mgmt arrangements</li> </ul>
May 06		
June 06	<ul style="list-style-type: none"> <li>• Progress summary by Internal Audit of the updating of risk registers, provided to Directors, ACE's and Chief Executive with recommendations as</li> </ul>	<ul style="list-style-type: none"> <li>• CPA corporate assessment and JAR take place</li> </ul>

Date	Required action	Related business planning actions
	required	
July 06	<ul style="list-style-type: none"> <li>• Internal audit to provide first qtr reports from database to all RM representatives</li> <li>• DMT's and CEMB to review risk registers and quarterly reports as agenda item</li> <li>• Service managers to review (and update) risk registers and circulate to RM representatives and Internal Audit.</li> </ul>	
August 06	<ul style="list-style-type: none"> <li>• Internal Audit to agree reporting requirements with DMT and CEMB</li> </ul>	Pre-business Plan reviews to commence
September 06		Finalise Pre-business Plan Reviews – x-ref to risk registers
October 06	<ul style="list-style-type: none"> <li>• Internal audit to provide second qtr reports from database to all RM representatives</li> <li>• DMT's and CEMB to review risk registers and quarterly reports as agenda item</li> <li>• Service managers to review (and update) risk registers and circulate to RM representatives and Internal Audit.</li> </ul>	
November 06	<ul style="list-style-type: none"> <li>• Internal Audit to agree reporting requirements with DMT and CEMB</li> </ul>	2007/08 budget planning process begins
December 06		
January 06		
February 06	<ul style="list-style-type: none"> <li>• Internal audit to provide third qtr reports from database to all RM representatives</li> <li>• DMT's and CEMB to review risk registers and quarterly reports as agenda item</li> <li>• Service managers to review (and update) risk registers and circulate to RM representatives and Internal Audit.</li> </ul>	
March 06	<ul style="list-style-type: none"> <li>• Internal Audit of risk management arrangements and embedding across the Council and report to Audit Committee</li> </ul>	

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
Mechanism established to identify principal statutory obligations	Responsibilities for statutory obligations are formally established	<ul style="list-style-type: none"> <li>• Council Constitution.</li> <li>• Role of the Executive, and all other specific council committees, e.g. licensing, defined.</li> <li>• Committee terms of reference</li> <li>• Scheme of delegation in place and reviewed on regular basis.</li> <li>• Structure charts</li> <li>• Job descriptions of relevant managers (Head of Paid Service, Monitoring Officer, Chief Finance Officer)</li> </ul>	
	Record held of statutory obligations	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• <b>(Need to confirm)</b> <i>Record of statutory obligations, accessible by all relevant staff, exists e.g. legal library, intranet site etc</i></li> </ul>
	Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used	<ul style="list-style-type: none"> <li>• Evidence of effective arrangements for internal and external communication of legislation.</li> <li>• Reports to key officer and member groups on implications of new legislation.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>(Need to confirm)</b> <i>Assurance reports to senior officers and members that all relevant legislative changes have been</i></li> </ul>

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
		<ul style="list-style-type: none"> <li>Members and Officers Code of conduct in place, reviewed on a regular basis and re-issued to all staff.</li> </ul>	<p><i>reported and addressed.</i></p> <ul style="list-style-type: none"> <li><i>(Need to confirm) Included as part of induction training for key post holders.</i></li> </ul>
	Effective action is taken where areas of non-compliance are found	<ul style="list-style-type: none"> <li>Evidence to demonstrate that action has been taken:                             <ul style="list-style-type: none"> <li>Internal/external audit reports and external assessments e.g. OFSTED, BFI, CSCI.</li> <li>Action plans in place to monitor achievement against recommendations.</li> <li>Monitoring reports on actions plans re: implementation of identified key risk areas e.g. FoI, corporate governance</li> <li>Evidence of corrective action taken in response to any upheld complaints</li> <li>External audit report recommendations – action plan in place.</li> </ul> </li> </ul>	
	Consultation takes place with	<ul style="list-style-type: none"> <li>Results from internal and/or</li> </ul>	

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
	stakeholders on priorities and objectives	external consultation exercises have been evaluated and results published. <ul style="list-style-type: none"> <li>• Forward Plan published and monitored, including reports to committee.</li> </ul>	
	The council's priorities and organisational objectives have been agreed, taking into account any feedback from consultation	<ul style="list-style-type: none"> <li>• All key strategies and plans approved by Council or the Executive and consultation takes place with all appropriate stakeholders</li> <li>• Strategic plans published on website and via local and national media.</li> <li>• Action plans in place to ensure delivery of strategic plans e.g. Community Strategy, HSP.</li> </ul>	
	Objectives are reflected in departmental plans and are clearly matched with budgets	<ul style="list-style-type: none"> <li>• Terms of reference and guidance notes are issued for the preparation of corporate, departmental and business unit plans.</li> <li>• Departmental and business unit plans reflect corporate objectives and approved funding.</li> <li>• Revenue and capital budgets are</li> </ul>	

The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
		<p>assigned to individual managers and are monitored and reported on a monthly basis.</p> <ul style="list-style-type: none"> <li>• Council has a reserves policy which is reviewed and reported on.</li> <li>• Annual reports are produced on the outcome of departmental and business unit plans into an overall BVPP.</li> </ul>	
	<p>The Council’s objectives are clearly communicated to staff and all stakeholders.</p>	<ul style="list-style-type: none"> <li>• All strategies and plans published on intranet and Haringey website and via local and national media where required, e.g. Community Strategy, BVPP, Medium Term Financial Strategy</li> <li>• Action Plans are agreed and monitored e.g. for HSP, Community Strategy and Haringey Neighbourhood renewal strategy</li> <li>• Documented meetings at both and member level to discuss key objectives in corporate, departmental and business unit plans.</li> <li>• Peer group and member level</li> </ul>	<ul style="list-style-type: none"> <li>• <b>(Need to confirm) Evidence of consultation with stakeholders on service provision against cost.</b></li> </ul>

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
		reviews to ensure compliance. <ul style="list-style-type: none"> <li>Corporate objectives are set out in key documents (BVPP, annual plans/reports etc) and communicated in a variety of media – website, intranet, Team Brief, local and national media</li> </ul>	
Effective corporate governance arrangements are embedded within the council	Code of Corporate Governance has been established	<ul style="list-style-type: none"> <li>A code of corporate governance in line with CIPFA/SOLACE guidance has been adopted.</li> </ul>	<ul style="list-style-type: none"> <li><b>(Need to confirm) All relevant staff have been made aware of the code.</b></li> </ul>
	Review and monitoring arrangements are in place	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li><b><u>Need to confirm all the following:</u></b></li> <li><b><i>The Code incorporates a review date, or system for continuous review/update in response to changes required.</i></b></li> <li><b><i>An annual report on compliance with the Code of corporate governance is</i></b></li> </ul>

The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
			<p><i>submitted to members.</i></p> <ul style="list-style-type: none"> <li>• <i>There are clear arrangements for continuously monitoring compliance with the code, e.g. reports to relevant committee.</i></li> <li>• <i>Internal/external audit reports on adequacy of corporate governance arrangements.</i></li> </ul>
	<p>There is a committee charged with governance responsibilities</p>	<ul style="list-style-type: none"> <li>• Audit Committee terms of reference include responsibility for corporate governance.</li> <li>• TOR include all aspects of corporate governance.</li> <li>• Minutes from committee meetings confirm that responsibilities have been appropriately discharged.</li> </ul>	
	<p>Governance training provided to relevant officers and members</p>	<ul style="list-style-type: none"> <li>• Induction courses for relevant officers and members include corporate governance issues.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>(Need to confirm)</b> <i>Ongoing awareness training is provided to</i></li> </ul>



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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
			<i>officers and members to ensure any changes to the Code are communicated.</i>
	Officers, public and other stakeholder awareness of corporate governance issues.	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Need to confirm:</b></li> <li>• <b>Code has been published and is accessible to all staff, public and other stakeholders</b></li> <li>• <b>Officer training programme in place.</b></li> </ul>
Performance management arrangements are in place	Comprehensive and effective performance management systems operate routinely	<ul style="list-style-type: none"> <li>• Clearly identified performance management framework in place that identifies:                             <ul style="list-style-type: none"> <li>➤ All sources of performance measures</li> <li>➤ Who is responsible for achieving each performance measure</li> <li>➤ Who is responsible for collating the data for each one</li> <li>➤ Who determines and approves the performance measures</li> <li>➤ Who receives reports on</li> </ul> </li> </ul>	

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
		<p>performance and how often</p> <ul style="list-style-type: none"> <li>➤ How data quality is assured</li> <li>➤ How performance data is captured and its integrity maintained</li> <li>➤ How poor performance is addressed</li> <li>➤ How performance is driven upwards over time</li> </ul> <ul style="list-style-type: none"> <li>• Reports resulting from internal or external reviews of performance management</li> <li>• Year on year comparison of achievement against performance targets (e.g. in annual reports)</li> <li>• Best value reviews, including benchmarking results</li> <li>• Departmental and/or business unit benchmarking results</li> </ul>	
	Key performance indicators are established and monitored	<ul style="list-style-type: none"> <li>• Appropriate KPI's have been established and approved for each service element and are included in departmental and business unit plans.</li> <li>• A robust monitoring system has</li> </ul>	

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
		been approved and implemented. <ul style="list-style-type: none"> <li>• There are regular reports on progress on delivering KPI's.</li> <li>• There is an approved mechanism for reviewing the continuing suitability of KPI's and for securing continuous change by increasing the required standards</li> </ul>	
	The council is aware how well it is performing against its planned outcomes	<ul style="list-style-type: none"> <li>• Regular reports are presented to members on the delivery of national, council-wide and departmental performance targets.</li> <li>• External audit reports on BVPI's and KPI's.</li> <li>• CPA reviews.</li> <li>• Regular monthly budget monitoring meetings and reports – capital and revenue, current year and medium term.</li> </ul>	<ul style="list-style-type: none"> <li>• <b><i>(to confirm will be in place for 2006/07) Balanced score card.</i></b></li> </ul>
	Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes.	<ul style="list-style-type: none"> <li>• Monitoring reports are regularly presented to the Executive and appropriate committees.</li> <li>• The reports include detailed performance results, highlighting where corrective action is</li> </ul>	

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
		necessary. <ul style="list-style-type: none"> <li>• Committee reports include SMART action plans to improve performance.</li> <li>• Performance targets in subsequent corporate, departmental and business unit plans, improvement plans and people plans, are revised in light of actual performance.</li> <li>• Continuous improvement is strived for by increasing the difficulty of performance targets when they have been met over a period of time.</li> <li>• Performance trends are established and reported on over the medium term and are fed into the corporate, departmental and business unit planning processes.</li> </ul>	
	The Council continuously improves its performance management	<ul style="list-style-type: none"> <li>• The performance management systems are regularly reviewed and updated to take account of changes in organisational structure, new performance measurement frameworks.</li> </ul>	

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
		<ul style="list-style-type: none"> <li>The performance management arrangements are revised in line with external or internal review of the arrangements.</li> </ul>	
<p>The council has robust systems and processes in place for the identification and management of strategic and operational risk</p>	<p>There is a written strategy and policy in place for managing risk which:</p> <ul style="list-style-type: none"> <li>Has been formally approved at appropriate officer and member levels</li> <li>Is reviewed on a regular basis</li> <li>Has been communicated to all relevant staff</li> </ul>	<ul style="list-style-type: none"> <li>Approved risk management strategy in place.</li> <li>Evidence of formal approval – by CEMB and audit committee</li> <li>Evidence of formal review of risk management strategy.</li> <li>Evidence of dissemination to all relevant staff.</li> </ul>	
	<p>The council has implemented clear structures and processes for risk management which are successfully implemented and:</p> <ul style="list-style-type: none"> <li>Senior management and members see risk management as a priority</li> <li>Decision making considers risk</li> <li>A senior manager has been appointed to 'champion' risk management</li> </ul>	<ul style="list-style-type: none"> <li>CEMB/committee minutes.</li> <li>External audit review of risk management.</li> <li>CPA comments on risk management.</li> <li>Annual business plans include risk management.</li> <li>Responsibility for risk management is set at appropriate senior level.</li> <li>Committee reports include appropriate risk management information.</li> </ul>	<ul style="list-style-type: none"> <li>Job descriptions of senior and relevant managers.</li> </ul>

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
	<ul style="list-style-type: none"> <li>• Roles and responsibilities for risk management have been defined</li> <li>• Risk management systems are subject to independent assessment</li> <li>• Risk management is considered in the annual business planning process</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate business and financial plan assess risks.</li> </ul>	
	<p>The council has developed a corporate approach to the identification and evaluation of risk which is understood by staff</p>	<ul style="list-style-type: none"> <li>• Systematic procedures for risk identification and evaluation have been agreed and consistently applied across all business units.</li> </ul>	
	<p>The council has well defined procedures for recording and reporting risk.</p>	<ul style="list-style-type: none"> <li>• Review of risk management strategy and policy.</li> <li>• Corporate risk register in place.</li> <li>• Evidence of regular reporting of risk to appropriate officer and member level.</li> <li>• Evidence of risk based auditing in place.</li> </ul>	<ul style="list-style-type: none"> <li>• Key risk indicators have been determined and there is evidence of monitoring against these risks.</li> <li>• Evidence of risks not properly addressed identified in internal audit reports being included in risk management processes and registers.</li> </ul>

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
	The council has well established and clear arrangements for financing risk	<ul style="list-style-type: none"> <li>• All legal requirements for insurance are met.</li> <li>• Evidence that self-insurance provisions are subject to regular independent actuarial valuation and that contributions to the fund are adjusted accordingly.</li> <li>• Insurance claims are being managed in accordance with the 'Woolf' protocols.</li> <li>• Evidence of monitoring the incidence of successful and unsuccessful claims and reporting to departments.</li> </ul>	<ul style="list-style-type: none"> <li>• Council policy for risk financing in place and regularly reviewed in light of costs and alternative risk mitigation strategies.</li> <li>• Results of monitoring fed into the risk financing policy.</li> </ul>
	The authority has developed a programme of risk management training for relevant officers and members	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Training programme for risk management.</li> <li>• Induction programme includes risk management.</li> <li>• Appropriate responsibilities for risk management included into job descriptions and performance reviews.</li> </ul>

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
	Managers are accountable for managing their risks.	<ul style="list-style-type: none"> <li>• Evidence of manager involvement in risk identification and analysis process.</li> <li>• Risk owners detailed in corporate, departmental and business unit risk registers.</li> </ul>	<ul style="list-style-type: none"> <li>• Job descriptions of managers outline their risk management responsibilities.</li> <li>• Evidence of regular review of risk registers at all levels</li> </ul>
	Risk management is embedded throughout the council	<ul style="list-style-type: none"> <li>• Regular reporting of key risks at CEMB and audit committee</li> <li>• Evidence of managers' involvement in risk management aspect of business planning.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk registers used to manage the business unit key service objectives.</li> <li>• Regular review and updating of risk registers</li> <li>• Risk management addressed in all business planning activities</li> <li>• Risk management training programme.</li> </ul>
	Risks in partnership working are fully considered	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Address Audit Commission recommendations for Tech Refresh review.</li> </ul>



The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
			<ul style="list-style-type: none"> <li>• Evidence of risk assessments being undertaken before the start of major projects.</li> <li>• Evidence that risk assessments are regularly reviewed during the project period.</li> <li>• Evidence that reports on the reviews are made to the appropriate officer and member level.</li> <li>• Evidence that all key partnerships have been identified.</li> <li>• Evidence that potential partners are required to produce and submit risk assessments.</li> <li>• Evidence that partnership arrangements are reviewed in terms of</li> </ul>

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
			risk before they are entered into and subsequently that the risks are reviewed. <ul style="list-style-type: none"> <li>• Evidence that there are effective arrangements in place for risk sharing (e.g. in partnering contract T&amp;C's)</li> </ul>
	Risk management information systems meet users needs	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Risk information being updated promptly.</li> <li>• Review of accuracy and usefulness of output.</li> <li>• Consultation with users on information requirements.</li> <li>• Interviews with users to assess suitability of information.</li> </ul>
The Council has a robust system of internal control which includes systems and procedures to mitigate principal	There are written financial regulations in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff: <ul style="list-style-type: none"> <li>• Council has adopted CIPFA</li> </ul>	<ul style="list-style-type: none"> <li>• Financial regulations and instructions exist are reviewed and updated regularly.</li> <li>• Evidence of formal approval.</li> <li>• Examples of dissemination, e.g. induction, briefings, intranet and</li> </ul>	

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
risks	Code on Treasury Management <ul style="list-style-type: none"> <li>• Compliance with the Prudential code</li> </ul>	website. <ul style="list-style-type: none"> <li>• Reports to committee confirming compliance, or identifying extent of non-compliance.</li> <li>• Report approving annual treasury management and investment strategy.</li> <li>• Outturn report on treasury management.</li> <li>• External audit assessment of compliance with prudential code.</li> </ul>	
	There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all staff.	<ul style="list-style-type: none"> <li>• Standing orders exist, are reviewed regularly and updated to cover new procedures e.g. partnering, on-line tendering.</li> <li>• Evidence of formal approval.</li> <li>• Examples of communication and dissemination</li> </ul>	<ul style="list-style-type: none"> <li>• <b>(Need to confirm)</b> <i>Standing orders exist, are reviewed regularly and updated to cover new procedures e.g. partnering, on-line tendering.</i></li> </ul>
	There is a whistleblowing policy in place which has been formally approved, regularly reviewed, widely communicated to all staff.	<ul style="list-style-type: none"> <li>• Whistleblowing policy exists and has been reviewed and updated regularly.</li> <li>• Evidence of formal approval.</li> <li>• Examples of communication and dissemination.</li> </ul>	

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
		<ul style="list-style-type: none"> <li>Evidence of effectiveness of policy e.g. reports on incidence of usage</li> </ul>	
	<p>There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all staff.</p>	<ul style="list-style-type: none"> <li>Counter-fraud and corruption policy exists and has been regularly reviewed and updated.</li> <li>Evidence of formal approval.</li> <li>Examples of dissemination, staff newsletter, website, emails to all staff.</li> <li>Compilation and review of register of gifts and hospitality</li> </ul>	
	<p>There are codes of conduct in place which have been formally approved and widely communicated to all staff.</p>	<ul style="list-style-type: none"> <li>Codes of conduct for officers and members.</li> <li>Evidence of formal approval.</li> <li>Examples of dissemination to all staff.</li> </ul>	
	<p>A register of interests is maintained, regularly updated and reviewed.</p>	<ul style="list-style-type: none"> <li>Register of interests exists for officers and members.</li> <li>Evidence of review.</li> </ul>	
	<p>A scheme of delegation has been drawn up, formally approved and disseminated to all relevant staff.</p>	<ul style="list-style-type: none"> <li>Scheme of delegation exists and incorporates adequate controls and sanctions.</li> <li>Evidence of formal approval.</li> <li>Examples of communication.</li> <li>Regular reports on the operation of</li> </ul>	

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
		the scheme.	
	A corporate procurement policy has been drawn up, formally approved and communicated to all relevant officers	<ul style="list-style-type: none"> <li>• Procurement policy exists and has been reviewed and updated regularly to take account of new initiatives e.g. framework agreements.</li> <li>• Evidence of formal approval.</li> <li>• Examples of dissemination.</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of effectiveness of policy.</li> </ul>
	Corporate/departmental/business unit continuity and disaster recovery plans have been drawn up for all critical service areas and are subject to regular review and testing.	<ul style="list-style-type: none"> <li>• Business continuity and disaster recovery plans exist and are readily accessible.</li> <li>• Evidence of regular testing.</li> <li>• Evidence of regular review and changes made in light of testing completed, changes to structures, responsibilities etc.</li> </ul>	
	The corporate, departmental and business unit risk registers includes key controls to manage identified risks	<ul style="list-style-type: none"> <li>• Risk registers set out key risks and identify controls to manage them.</li> <li>• Key controls are monitored, reviewed and updated regularly.</li> <li>• Risk owners are assigned to manage key risks.</li> </ul>	
	Key risk indicators have been drawn up to track the movement of key risks and are regularly	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriate key risk indicators are documented.</li> </ul>

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The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
	monitored and reviewed.		<ul style="list-style-type: none"> <li>• Evidence of regular monitoring.</li> <li>• Evidence of changes in risk indicators e.g. as a result of internal audit reviews.</li> </ul>
	The council’s internal control framework is subject to regular independent assessment.	<ul style="list-style-type: none"> <li>• Internal audit plans and reports.</li> <li>• Annual audit report.</li> <li>• External audit reports.</li> <li>• CPA opinion and assessment reports.</li> </ul>	
	A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all staff.	<ul style="list-style-type: none"> <li>• Health and safety policy exists and has been regularly reviewed.</li> <li>• Evidence of formal approval.</li> <li>• Examples of dissemination e.g. website and intranet, briefings, newsletter.</li> <li>• Evidence of effectiveness of policy e.g. HSE referrals and reports.</li> <li>• Review of incidents and reports.</li> </ul>	
	A corporate complaints policy and procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other relevant stakeholders, and is	<ul style="list-style-type: none"> <li>• Complaints policy and procedure exists and has been regularly reviewed and updated.</li> <li>• Procedure is compliant with all relevant statutory requirements.</li> </ul>	

The key elements of the internal control environment:	Sources/examples of assurance	Evidenced by	Action Plan to address any significant gaps in assurance or evidence
	regularly reviewed.	<ul style="list-style-type: none"> <li>• Evidence of formal approval.</li> <li>• Examples of dissemination e.g. website and intranet, induction programme, leaflets, posters.</li> <li>• Complaints files.</li> <li>• Committee reports summarising numbers, outcomes etc.</li> </ul>	

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## Statement on Internal Control 2005/06

### 1. Scope of responsibility

- 1.1 Haringey is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Haringey also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Haringey is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Haringey's functions and which includes arrangements for the management of risk.

### 2. The purpose of the system of internal control

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Haringey's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.2 The system of internal control has been in place at Haringey for the year ended 31<sup>st</sup> March 2006 and up to the date of the approval of the annual report and accounts.

### 3. The internal control environment

- 3.1 The key elements of the internal control environment are:

- a) establishing and monitoring the achievement of the authority's objectives

Haringey has well established and documented aims and objectives in order to improve the quality of life for people living and working within the borough and ensure that high quality services are delivered efficiently and effectively. These are set out in the Community Strategy and all the Council's business and financial planning documents reflect these aims and objectives. Delivery of these is through an integrated annual business and financial process, which are subject to full consultation and review by the Overview and Scrutiny Committee, formal adoption by the Cabinet and approval by the Council.

- b) the facilitation of policy and decision making

The Council's Constitution sets out the policy and decision making framework for the authority. The role of the whole Council, the Executive, other committees, Executive members and officers is clearly documented, and there are also protocols governing the relationships between members and officers. This is subject to regular review and updated to reflect functional and organisational changes to the Council.

- c) ensuring compliance with established policies, procedures laws and regulations

The Council Constitution contains the Financial Procedure Rules and Contract Standing Orders, which must be complied with in carrying out all operational functions. Officer Employment Rules and a Monitoring Officer Protocol are also contained within the Constitution.

The Constitution also details the roles of key compliance officers, including the Council's Monitoring Officer and S151 Officer, as well as specific functional responsibilities for the Executive, committees, other bodies and officers.

- d) how risk management is embedded in the activity of the authority

Haringey has a Risk Management Strategy which was updated and approved by the Audit Committee in 2005. The Council continues to work towards embedding risk management into the culture of the organisation. The Council has developed a corporate risk register and all departments and business units have risk registers in place. These risk registers are tested by Internal Audit to ensure that managers are controlling the risks identified. Regular reports are provided to the Audit Committee detailing progress in embedding risk management throughout the Council. Risk management also forms an integral part of the business planning and project management processes.

- e) ensuring the economical, effective and efficient use of resources

The Council is committed to delivering value for money. This is achieved through a variety of mechanisms including a well established business planning process, and a robust performance management system.

There is an approved scheme of delegation in place to ensure that decisions are taken at the most appropriate level.

- f) the financial management of the authority

Financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. This is supported by the finance and contract procedure rules and the scheme of delegation.

Key elements of the financial management system include integrated budgeting and medium term financial planning systems, regular budget monitoring reports to the Executive, systematic review of all key financial control processes, monitoring of key financial and other targets, and formal project management processes.

- g) the performance management of the authority

Haringey has comprehensive and robust performance management systems, which include Business Plans, Service Improvement Plans, Best Value Performance Plans and National and Local Performance Indicators. Performance measurement is undertaken at various levels and is subject to review both internally and externally by the Audit Commission. The Executive receives regular reports highlighting key financial and performance management information, which allows them to effectively monitor compliance with all key policies and Council objectives.

#### **4. Review of effectiveness**

- 4.1 Haringey has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 Under the Comprehensive Performance Assessment Haringey achieved a rating of three stars (out of four), and nearly 75% of best value performance indicators have maintained or improved performance over the year. The Audit Commission, in its 'Direction of Travel' report, stated that the Council is improving well. Specifically in relation to the systems of internal financial control, the Audit Commission concluded that the council has a generally sound framework for managing internal financial control.
- 4.3 The risk management strategy was revised in 2005 and improvements to ensure that the recommendations from external audit and the 2004/05 SIC action plan were incorporated. This is an area which is still developing throughout the council and work will need to continue to ensure that key operational and strategic risks are identified, managed and reported appropriately.

4.4 Directors have submitted a statement of assurance covering 2005/06 which is informed by work carried out by internal audit, external assessment and risk management processes. The statements provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately.

4.5 The Head of Audit and Risk Management provided an Annual audit Report for 2005/06, which concluded that overall there are sound internal financial control systems and corporate governance arrangements in place.

#### **5. Actions to deal with outstanding internal control issues**

5.1 In 2004/05, a number of actions were reported in the SIC to deal with outstanding control issues. These issues were subject to further review and development during 2005/06 and are included below for continuing action.

5.2 The following actions have been agreed to address the outstanding control issues identified as a result of the review of the effectiveness of the system of internal control:

- The Council upgraded its entire IT infrastructure and although the project is expected to deliver a range of benefits to the council, substantial delays and a significant overspend against the planned budget occurred. The Audit Commission undertook an independent review of the project and reported their findings in January 2006. The Council has agreed the conclusions and recommendations and developed an action plan to ensure that these are appropriately addressed.
- The corporate IT upgrade project identified that the Council needed to revise its project management framework and enhance its monitoring and reporting procedures to ensure that key projects were identified and managed more effectively. Part of the action plan to address the Audit Commission's report includes implementing a revised approach to project management during 2006/07.
- Further work will be undertaken to put adequate arrangements in place to ensure that the business unit, departmental and corporate risk registers are monitored, reviewed and updated on a more systematic and effective basis.
- Partnership working has been identified as a key development area for the Council. The risk management programme will therefore encompass all key partnerships to ensure that these have been properly identified, appropriate risk assessments are produced and reviewed and that there are effective arrangements in place for risk sharing.

**Councillor Charles Adje**  
Leader of the Council

**Dr. Ita O'Donovan**  
Chief Executive

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**Audit Committee****21<sup>st</sup> March 2006**Report Title: **Statement on Internal Control 2005/06**Report of: **Director of Finance****1. Purpose**

1.1 To inform Members of the requirements of the Statement of Internal Control and provide an initial draft statement for approval.

**2. Recommendations**

2.1 That Members approve the initial draft Statement of Internal Control for 2005/06.

**Report Authorised by:** Andrew Travers  
Director of Finance

**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)

**3. Reasons for any change in policy or for new policy development (if applicable)**

3.1 None

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

4.1 List of background documents:

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

- Accounts and Audit Regulations 2003
- 2005 Annual Audit and Inspection Letter
- CIPFA Finance Advisory Network - guidance for practitioners on internal control

## **5. Background**

- 5.1 The Accounts and Audit Regulations 2003 established requirements relating to systems of internal control, and the review and reporting on those systems. One of the requirements is that every local authority must publish a Statement on Internal Control (SIC) with the financial statements of the Council from 2003/04 onwards.
- 5.2 The scope of internal control covers the whole range of the Council's activities and includes those controls which are designed to ensure that:
- The council's policies are put into practice;
  - The organisation's values are met;
  - Laws and regulations are complied with;
  - Required processes are adhered to;
  - Financial statements and other published information are accurate and reliable;
  - Resources are managed efficiently and effectively; and
  - High quality services are delivered efficiently and effectively.
- 5.3 Having established a system of control to manage these processes, the Council needs to put processes in place to maintain it and keep it up to date. The SIC guidance suggests that these processes are reviewed at least once a year.
- 5.4 Haringey's review processes for the SIC are aligned with those which consider the council's response to the Use of Resources judgement, as many of the elements contained within this reflect internal control issues. The officer group reviewing these processes has been meeting on a monthly basis during 2005/06.

## **6 The Statement on Internal Control**

- 6.1 A Statement on Internal Control represents the end result of the review of internal control, explains the nature of control and is a broad reflection of the whole governance of the authority. The SIC is designed to:
- identify the key elements of the internal control environment;
  - state how the main risks associated with the internal control environment are identified and managed;
  - state how and whether assurance is obtained on the management of risks identified; and
  - provide an action plan for addressing any outstanding internal control issues.
- 6.2 A pro forma SIC has been devised by the Chartered Institute of Public Finance and Accountancy (CIPFA) for use by local authorities. This provides the key headings that should be included in the SIC, along with indications of what might be covered. It does not, however, provide standard wording for the sections dealing with the internal control environment and the review of its effectiveness. This will be dependent on the risks associated with each individual authority.
- 6.3 The Audit Commission reviews the SIC as part of its annual audit. In its 2004/05 Annual Audit and Inspection Letter, the Audit Commission stated that there 'are good arrangements for preparing the Statement on Internal Control'.

## **7 Approval and Timetable**

- 7.1 In order to comply with the statutory reporting deadlines, the SIC for 2005/06 has to be approved with the Statement of Accounts at General Purposes Committee on 29<sup>th</sup> June 2006.
- 7.2 Prior to its final approval, the Council needs to demonstrate that the SIC is not restricted to financial considerations and has been reviewed and agreed by relevant senior managers across the authority and an appropriate member body, independent of the General Purposes Committee.
- 7.3 The draft SIC is provided at Appendix A and this has been produced in line with the guidance issued by the CIPFA Finance Advisory Network. The draft SIC was approved in principle by CEMB on 7/3/06. In support of the SIC, a matrix is attached at Appendix B. This identifies the key elements of the council's internal control environment and how the council gains assurance and where the evidence to support the assurance can be found.
- 7.4 The matrix also identifies where any gaps in assurance exist and action is required to address these gaps. At the present time, there are still some outstanding issues within the matrix which need to be clarified and these are identified as such. However, it is anticipated that these will not be classed as significant and therefore required to be included within the SIC. Appendix C is the Management Assurance Statement, covering 2005/06, which all Director's will be required to complete.
- 7.5 It is acknowledged that the draft SIC is presented for review prior to both the financial year end and the Audit Commission's audit of the accounts. It is anticipated that any significant internal control issues which either arise between now and the end of March, or are raised by the Audit Commission, can included in the SIC and submitted for final member approval before the closure of the statutory audit period on 30<sup>th</sup> September 2006.

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**Management Statement of Assurance**

Directorate	
Director/Assistant Chief Executive/Head of Service	
Year	2005/06

This statement has been prepared to assist in the production of the Statement of Internal Control for Haringey Council in accordance with the requirements of the 2003 Accounts and Audit Regulations.

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

I confirm that:

1. I understand the requirements of my role, as set out in, inter alia, my job description, my work plan, relevant instructions and guidance from the Council and the terms and conditions of my employment.
2. I have specific objectives and targets, which have been established through the Council's Performance Review and Appraisal system. The objectives are robust and my performance can be assessed against them. The targets are specific, measurable and achievable. I have formally agreed my objectives and targets.
3. I understand that one of my managerial responsibilities is to develop, operate and maintain effective controls in all areas for which I have responsibility, in accordance with the Council's Constitution and Finance and Contract Procedure Rules. I understand that in so doing I have access to professional advice to assist me in carrying out my responsibilities.
4. My communications and the work of corporate colleagues leave me with no reason not to be satisfied that both the essential areas of the control systems for which I am responsible have been communicated to relevant staff and that they:
  - Are aware of their responsibilities in relation to areas of identified high risk;
  - Have sufficient authority to manage control processes in these areas; and
  - Are aware of their responsibilities to report any areas of concern which remain unresolved.
5. All significant internal control matters brought to my personal attention have been appropriately dealt with and that there are no outstanding issues which need to be resolved.

**Management Statement of Assurance**

- 6. During 2004/05, I have no reason to consider that the internal controls for which I am responsible have not operated to provide reasonable assurance in compliance with the Council's policies and procedures and any statutory requirements. No material discrepancies have been reported to me which have not been resolved except as set out in paragraph 8.
- 7. No material findings or recommendations relating to internal control made during 2004/05 by Internal Audit, the Council's external auditors, or other relevant external agencies remain outstanding except as set out in paragraph 8.
- 8. Any material exceptions to the above are listed below:


Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Report Title: **Project and Programme Management – Response to the Audit Commission Review**

Forward Plan reference number (if applicable):

Report of: **Chief Executive**

Wards(s) affected: **All**

Report for: **Non-key decision**

**1. Purpose**

- 1.1 To present detailed proposals and supporting information for a revised Programme Management framework in response to the 'Review of Project Management' paper published by the Audit Commission in January 2006.

**2. Introduction by Executive Member**

- 2.1 Following the June 2005 outturn report to the Executive, concern was expressed by members about the need to strengthen programme management processes and procedures within the council. The Executive referred the Tech Refresh project to the district auditor and that report was presented to the Executive in January 2006.
- 2.2 This report outlines the Councils response to the district auditor's report and sets out the new arrangements for programme and project management, highlighting the parts of the current structure which are to be altered.
- 2.3 Whilst the DA's report focuses exclusively on Tech Refresh, programme management generally will benefit from the improved processes put forward in this report.
- 2.4 The report offers clear criteria for what is defined as a major programme which in turn will be clearly reported to members without compromising the constitutional need to not get involved with operational matters.
- 2.5 The report also outlines the timescale setting out three phases for implementing the new programme and project management structure.
- 2.6 This administration has successfully gained three stars from the Audit Commission. Adopting these measures will help strengthen that position and help deliver more efficient services for the residents of Haringey.

### 3. Recommendations

- 3.1 Agree the detailed action plan in response to the Audit Commission recommendations shown in appendix A.
- 3.2 Agree the new Programme Management structure outlined in Appendix B.
- 3.3 Set up Councillor Steering Groups for each Stream Board to provide strategic direction and political input and steer.
- 3.4 Set up a dedicated Programme Management Office in the Improvement and Performance Team.
- 3.5 Produce a separate report that clarifies the links between change, programme management, policy development and the member decision making process.
- 3.6 Note that a separate Project Implementation Review will be produced for Tech Refresh and reported to the Executive.

Report Authorised by: **Chief Executive**

Contact Officer: **Eve Pelekanos; Head of Improvement, Performance and Scrutiny**

### 4. Executive Summary

- 4.1 A discussion paper was presented to Programme Board on the 21 December 2005 outlining proposals for a revised Programme Management structure. Programme Board agreed that:
- ❖ Further consideration should be given to councillor involvement in projects;
  - ❖ That the programme is strengthened to respond to the value for money and use of resources agenda;
  - ❖ A dedicated Programme Management Office should be established.
- 4.2 Subsequently, in January 2006, the Audit Commission published a report examining the Council's arrangements for managing the Tech Refresh project. Their report highlights a number of concerns with the governance arrangements for Tech Refresh and specifically highlights inadequate project and financial management practices. The Council must produce an action plan to address the issues raised by the report and the Audit Commission will carry out a follow-up review in late February/early March 2006.
- 4.3 Concerns about reporting arrangements for high risk, major projects were also highlighted in the Use of Resources Assessment in November 2005.

4.4	This report sets out our response to the Audit Commission report and Use of Resources assessment and outlines new arrangements for programme and project management in Haringey which build on the discussion paper presented to Programme Board in December.
<b>5.</b>	<b>Reasons for any change in policy or for new policy development (if applicable)</b>
5.1	Not applicable
<b>6.</b>	<b>Local Government (Access to Information) Act 1985</b>
6.1	Report to Programme Board, 21 December 2005: 'Programme Management Restructure – Discussion Paper'.
6.2	Audit Commission report, January 2006: Review of Project Management (Technical Refresh)'.

## 7. Background

- 7.1 The Programme in Haringey consists of CEMB Programme Board, four Stream Boards and one Project Board, as follows:
- ❖ Assets
  - ❖ Customer Focus
  - ❖ E-Care (Project Board)
  - ❖ Procurement
  - ❖ Information Management.
- 7.2 The Programme encompasses all the Council's major internal projects but there are a number of externally focused projects that report separately to CEMB, for example Better Haringey, Change for Children Programme and the Community Care Strategy
- 7.3 Programme management is essential to co-ordinate the delivery of a set of projects and ensure that the outcomes of the programme are greater than the sum of outcomes from the individual projects. Therefore, it is key to performance improvement and the realisation of our corporate strategy.
- 7.5 Over the past year, the Programme has improved the way the Council manages projects corporately and is a key part of our response to the CPA Corporate Assessment. Despite the successes of the first year, the Council was aware that further work is required to ensure that programme management is fully embedded and a discussion paper on restructuring the Programme was presented to CEMB in December 2005. This built on discussions with senior councillors following the June 2005 Outturn report to the Executive. Programme Board agreed that:

- ❖ Further consideration should be given to councillor involvement in projects;
- ❖ That the programme is strengthened to respond to the value for money and use of resources agenda;
- ❖ A dedicated Programme Management Office should be established.

7.6 Subsequently, in January 2006, the Audit Commission published a report examining the Council's arrangements for managing the Tech Refresh project. Their report highlights a number of concerns with the governance arrangements for Tech Refresh and specifically outlines inadequate project and financial management practices.

7.7 Concerns about reporting arrangements for high risk, major projects were also highlighted in the Use of Resources Assessment in November 2005.

## **8. Arrangements for Programme Management in Haringey**

8.1 Revisions to the programme framework were discussed prior to the publication of the Audit Commission 'Review of Project Management'. Since this review has implications for the operation of the Programme a number of changes have been brought forward, which are set out in this section. Section 9 discusses and our response to the main recommendations in the report.

### **8.2 Councillor Steering Groups**

8.2.1 New Councillor Steering Groups leading each Stream Board will be set up to give political steer, strategic direction and democratic oversight..

8.2.2 Councillor Steering Groups will comprise of the Lead Councillor(s) for the relevant portfolio, the Director for the service area and the Project Sponsor(s) for major projects attached to the Stream Board. The role of councillors on these groups will be to:

- ❖ To set strategic direction for projects within their Stream.
- ❖ To monitor reports detailing progress against key milestones and budgets.
- ❖ To scrutinise key risks and issues without involvement in project management.
- ❖ To pick up links and interdependencies with other portfolios.

8.2.3 The purpose of the Steering Groups will be to enable councillors with executive responsibilities to exercise their roles, providing sufficient information about key projects without them getting involved in their day-to-day management which constitutionally is an officer responsibility. This information will require the reporting up of all relevant and key matters and will therefore mean that councillors will not be involved at lower levels in the officer hierarchy.

8.2.4 Executive Councillors, the Leader or the Executive itself may choose to invite other councillors to participate where it is felt appropriate

### **8.3 New Programme Structure**

8.3.1 The programme structure will be revised to reflect the Council's corporate priorities and improve the link between policy and projects. The programme will be the key means by which the Council delivers its commitments under the Community Strategy. (Need to mention that more work will be done to examine the councillor decision making structure to ensure the Executive and Scrutiny play their role.)

8.3.2 There will be a Stream Board for each key priority plus an ALMO Board and a Well-Being Board to ensure that all major service areas are covered. The 'Excellent Services' theme will be divided into three Stream Boards; two that support the Council's SMART Working objectives and one for 'Value for Money'. The new structure is set out in appendix B.

8.3.3 The Member structure and Councillor membership will be examined in June, immediately following the election.

8.3.4 The membership of Stream Boards will be altered to respond to the Audit Commission's recommendations. The key proposals are:

- ❖ Members of Management Board will chair the Stream Board relevant to their line management responsibility.
- ❖ A representative from Corporate Finance will sit on each Stream Board to ensure that Finance has an overview of cost implications of all the Council's major projects. This may have resource implications for Corporate Finance, which will need to be kept under review.
- ❖ A member of the Change Team will sit on Stream Boards where required.

8.3.5 Whilst a core group of staff will be required at every Stream Board, membership of individual meetings will remain flexible and will be tailored to the agenda for each meeting.

8.3.6 In addition to the Stream Boards there are a number of pre-existing inter-agency partnership groups that link to and cover some of the same issues that will be discussed at the Stream Boards. Whilst there will be areas of overlap between these meetings, the purpose of the Stream Boards will be to deal specifically with the Council's internal agenda. Any issues arising from the Stream Boards which will impact on partners can then be communicated to the inter-agency meetings.

8.3.5 A key aim of the new structure will be to improve benefit tracking across both the projects and the programme as a whole. This will be achieved by creating a single forum for policy development and project delivery, ensuring that our key projects follow our corporate priorities.

### **8.4 Independent Programme Management Office**

- 8.4.1 An independent Programme Management Office (PMO) will be set up in the Improvement and Performance Team. This will enable the Council to exploit the links between programme management, the CPA and performance management and provide strong leadership on the improvement agenda.
- 8.4.2 There is project management expertise in the Improvement and Performance Team, with PRINCE2 qualified project managers. This will ensure that best practice is adhered to and followed through the lifecycle of projects, as recommended by the Audit Commission.
- 8.4.3 Over the past year, good practice in programme management has been developed and the new PMO will work with the IT Programme Management Office and the Change Team to ensure that this good practice is captured and disseminated. It is vital that the Programme Manager has a strategic understanding of the Council's business so that they are able to challenge and police programme projects effectively.
- 8.4.4 The role of the PMO will be to:
- ❖ produce the programme highlight report and monitor progress;
  - ❖ track interdependencies and staff resources;
  - ❖ flag concerns with individual projects to Stream and Programme Boards;
  - ❖ monitor attendance at Project Boards and Stream Boards;
  - ❖ ensure audit trails exist and are easily accessible for all projects;
  - ❖ maintain a library of project documentation and minutes of meetings for programme projects;
  - ❖ capture and disseminate the lessons learned from completed projects;
  - ❖ be a repository of best practice in project management;
  - ❖ track benefits against each of the projects and for the programme as a whole.
- 8.4.5 The composition of the programme office will need to be considered in detail. In particular, the delineation between Change, the IT Programme Management Office and Policy must be identified. This will be the subject of an additional report.

## **8.5 Implementation of the new structure**

- 8.5.1 There will be three phases to implementing the new structure, as follows:
- ❖ By April 2006: the current programme projects will be mapped across to the new structure, major new projects will be identified and the officer meetings will be set up;
  - ❖ By June 2006: the new councillor meeting arrangements will be established;
  - ❖ Between June and September: other new projects will be identified and added to the Programme as a result of councillor input and the revision of the Community Strategy.

## **9. Response to the Audit Commission's recommendations**

- 9.1 The Audit Commission will carry out a follow-up review in late February/early March 2006 to assess the robustness of the Council's remedial action in response to its



report. An action plan to address the recommendations is shown in appendix A and the key actions are described below.

**9.2 Ensure budgets, in particular the revenue costs associated with large capital projects, are realistic from the outset, and subject to adequate challenge during preparation**

9.2.1 Major project expenditure is captured in the Pre-Business Plan Review process and subsequently in Service Business Plans. We will strengthen this further by ensuring that a member of Corporate Finance will sign-off Project Briefs and PIDs and ensure proper consideration of risk is included.

**9.3 Ensure project budgets are coherent and that monitoring arrangements are robust at the day-to-day management level, with financial management roles and responsibilities clearly defined and allocated**

9.3.1 There will be changes to the programme highlight report to improve monitoring arrangements and ensure that major budget variations are reported.

9.3.2 A covering report will be produced that highlights key risks and issues for each Stream Board and includes comments from the Director of Finance.

9.3.3 The new report will be signed off by the Chief Executive and Director of Finance and will be reported to the Executive in the same way as the current Finance and Performance report. The first report will be submitted to the Executive in March, reporting project highlights from January.

**9.4 Review procedure for authorising and controlling change requests for all projects**

9.4.1 The Project Sponsor/Board for major projects will be required to report to Stream and Programme Board any significant change requests, classified as:

- ❖ budget changes and adjustments in excess of £25,000,
- ❖ any slippage to the overall timescales and implementation date, or
- ❖ material changes to scope.

9.4.2 The £25,000 financial limit applies to cumulative total of a number change requests as well as individual change requests. Once the project manager has agreed any significant change requests with the Project Sponsor/Board, they must be signed off by Corporate Finance and agreed by the Programme Board.

9.4.3 On a day-to-day basis, project managers will be expected to deal with cost, time and scope pressures. Any change request that is less than £25,000, which can be implemented within timescale and scope, should be handled by the project manager but reported to the Project Board for agreement. There will be a provision for urgent decisions and change requests to be agreed with the Project Sponsor. This procedure applies both to major projects and to those projects which involve external suppliers.

9.4.4 Any significant change requests will be reported to Programme Board and the Executive through the Programme Highlight report.

**9.5 Ensure major revisions to project budget estimates are reported, reflected in formal virements and appropriately authorised. It would be appropriate for the Council to review delegated authorisation levels to ensure adequate reporting to members**

9.5.1 The Council's financial regulations and standing orders meet best practice. However, the arrangements for reporting projects to councillors will be improved as set out in section 9.2.

9.5.2 All major project will also be required to monitor their risk register closely. If risks are realised and the project is unable to identify corresponding savings, they must be reported to Programme Board and the Executive.

**9.6 Establish costs expected to be incurred against key deliverables, and monitor these against actual costs**

9.6.1 The Council will profile, monitor and report on costs against key milestones, deliverables or project stages.

**9.7 Provide for the representation of Corporate Finance on project boards of major schemes**

9.7.1 The membership of Project Boards for major projects will also include a representative from Corporate Finance and the Change Team. This will enable Corporate Finance and Change to have an overview of all the major projects across the Council and ensure that support can be directed appropriately.

**9.8 Consider use of subject matter experts to challenge the design of future projects and give independent, external challenge**

9.8.1 Independent, external challenge will be a requirement for all major projects and arrangements for challenge will be set out in the project initiation document. Challenge will be achieved in one of three ways:

- ❖ External review at the project design stage
- ❖ 'Gateway' reviews linked to project milestones
- ❖ An independent representative on Project Boards.

9.8.2 Further guidance will be issued on undertaking 'gateway' reviews as part of implementation of these proposals.

**9.9 Ensure a robust project board is established with those nominated being able to commit the time and having the appropriate skills**

9.9.1 The Project Sponsor for major projects will be a member of Management Board without line management responsibility for the project area. This will provide an additional element of challenge to these projects throughout the project lifecycle.

9.9.2 Generic roles and responsibilities for Stream and Project Boards and their representatives are set out in appendix D. These will be supported by training for key representatives on how to undertake their roles, to promote accountability and responsibility. For all major projects the Project Board will be trained as a group on their roles and responsibilities as part of project set up. This training will be organised by Organisational Development & Learning.

9.9.3 Attendance at Project and Stream Boards will be monitored by the programme office and any concerns will be reported to Programme Board.

**9.10 Introduce a robust mechanism for quality and project assurance which is independent of the project**

9.10.1 All major projects will be entered on the Council's corporate risk register to provide visibility and transparency. The corporate risk register will be monitored quarterly by CEMB. All other projects managed within the framework will be entered onto Business Unit, or Departmental risk registers.

9.10.2 The Council's Internal Audit will provide ongoing assurance by reviewing a sample of project risk registers, including all those for major projects. The audit will check that adequate processes are in place to identify risks and include them on the risk register and will test that risk controls are performing as expected.

9.10.3 Internal Audit will also undertake reviews of a sample of projects to ensure that projects adhere to the Councils' project management processes and to verify that the expected outcomes are monitored and reported.

9.10.4 In addition, the programme office will perform a sample check of project documentation to ensure that it meets the Council's standards.

**9.11 Ensure project board reports cover project costs against budget for project staff, meetings, expenses, overtime, QA staff, user testing, consultancy, hardware, software, installation, infrastructure, licences and temporary workers**

9.11.1 The budgetary reporting section of the project highlight report will be enlarged to cover the significant elements of the project costs, including real costs associated with running the project such as meetings, expenses and consultancy. This requirement will not extend to the opportunity costs of projects such as internal staff time at project meetings.

**9.12 Ensure clear audit trails for decision-making within projects**

9.12.1 All projects under the programme will be required to follow the Council's project management methodology and produce each of the key project documents. The programme office will maintain a library of all project highlight reports, minutes and project documentation for all programme projects.

9.12.2 Although this requirement exists now, a number of the projects pre-existed the Programme and the requirement has not been applied retrospectively.

**9.13 Consider whether a programme or project management approach is most appropriate at the outset of significant future projects**

9.13.1 Clear criteria have been developed to classify projects into three categories:

- ❖ Major projects that will be identified separately through the Programme.
- ❖ Programme projects which will be reported through one of the Stream Boards; and
- ❖ Service specific projects that will be dealt with at business unit level.

9.13.2 The criteria have been included in a decision matrix which is shown in appendix C.

9.13.3 The governance arrangements for individual projects will be set out in the project initiation document and will highlight whether there is individual responsibility for different project streams or whether separate Project Boards will be convened to cover these streams.

**10. Consultation**

10.1 Members of Management Board were consulted about the future programme structure after the initial discussion paper in December 2005.

**11. Summary and Conclusions**

11.1 As well as responding to the Audit Commission's concerns, the new arrangements will provide a number of benefits for the Council:

- ❖ The risk of over-spend on projects will be reduced through the representation of Corporate Finance at Project Boards and Stream Boards. This role will ensure that budgets, in particular the revenue costs associated with large capital projects, are realistic from the outset and proper challenge will be given to variation orders.
- ❖ There will be more effective mechanisms for challenge to projects with peer review, councillor review and corporate finance attendance at all Boards.
- ❖ This structure will be key in delivering our CPA requirements and corporate priorities with effective controls and safeguards.
- ❖ Meetings will be rationalised through the creation a single integrated programme that will help the Council to deliver its Community Strategy priorities.
- ❖ There will be a clear link between policy development and project delivery. The advantages of this are two-fold: it will enable the Council to project manage policy development and ensure that we only carry out projects that support our policy objectives.

- ❖ The link between the programme, value for money and performance improvement will be firmly embedded.
- ❖ There will be better benefit tracking and improved management of major, high risk projects.

## **12. Recommendations**

- 12.1 Agree the detailed action plan in response to the Audit Commission recommendations shown in appendix A.
- 12.2 Agree the new Programme Management structure outlined in Appendix B.
- 12.3 Set up Councillor Steering Groups for each Stream Board to provide strategic direction and political input and steer.
- 12.4 Set up a dedicated Programme Management Office in the Improvement and Performance Team.
- 12.5 That a separate report is produced that clarifies the links between change, programme management, policy development and the member decision making process.
- 12.6 Note that a separate Project Implementation Review will be produced for Tech Refresh and reported to the Executive.

## **13. Comments of the Director of Finance**

- 13.1 I consider that the proposals in this report adequately address the areas of improvement highlighted by the Audit Commission in respect of strengthening the governance arrangements for the successful management of projects, in particular the project and financial management practices.
- 13.2 The proposals have resource implications for the Council, which can be dealt with in a number of ways.
- 13.3 The setting up of a dedicated Project Management Office and the implications for the Change Team can be managed by reprioritising and reallocating existing resources. Further consideration at a later stage will need to be given to the way that it is structured.
- 13.4 There are additional resource implications for Corporate Finance and Internal Audit arising from the increased input at all levels of the proposed project management structure. It is estimated that £100,000 would be required to facilitate this higher level of involvement. This will be a matter for Council on 20 February to resolve as part of the final budget report.
- 13.5 Training costs have also been highlighted as something that will require attention and it is assumed that this can be contained within the existing approved budgets available.

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

- 14.1 The recommended processes and procedures set out in this report reflect good practise, and will both satisfy the Audit Commission recommendations and ensure that the Council's project management and corporate governance improves.

**15. Equalities Implications**

- 15.1 This report affects the way that we manage major projects many of which have an impact on different sections of our community. Improved management of these projects will therefore improve the services we provide to all sections of our community.

**16. Use of Appendices / Tables / Photographs**

- 16.1 Appendix A: Action Plan to respond to the Audit Commission's recommendations
- 16.2 Appendix B: New Programme Management Structure
- 16.3 Appendix C: Criteria for Major Projects
- 16.4 Appendix D: Roles and Responsibilities

**APPENDIX A**

**ACTION PLAN IN RESONSE TO THE AUDIT COMMISSION RECOMMENDATIONS**

**\*Key to project levels**  
 1 = Major projects  
 2 = Programme projects  
 3 = Specific projects

**Key to abbreviations**  
 HoCF = Head of Corporate Finance      HoOD = Head of Organisational Development  
 PMO = Programme Management Office      HoIA = Head of Internal Audit  
 DirF = Director of Finance      PMs = Project managers

	<b>Audit Commission Recommendations</b>	<b>Action</b>	<b>Project Level*</b>	<b>Owner</b>	<b>Time</b>
1.	Ensure budgets, in particular the revenue costs associated with large capital projects, are realistic from the outset, and subject to adequate challenge during preparation	❖ Major project expenditure is captured in the Pre-Business Plan Review process and subsequently in Service Business Plans. We will strengthen this further by ensuring that a member of Corporate Finance will sign-off Project Briefs and PIDs and ensure proper consideration of risk is included.	1	HoCF	Apr 06
2.	Ensure project budgets are coherent and that monitoring arrangements are robust at the day-to-day management level, with financial management roles and responsibilities clearly defined and allocated	❖ Clear budgetary information will be required in each Project Highlight Report.	1,2,3	PMO	Mar 06
		❖ A covering report will be added to the Programme Highlight Report highlighting key risks and issues for each Stream Board and including comments from the Director Finance. The report will be submitted to the Executive each month starting in March (reporting the January project highlight reports).	1,2	PMO	Feb 06
		❖ The Chief Executive and Director of Finance will sign-off Programme Highlight Report each month.	1,2	PMO	Feb 06
		❖ Major programme projects will be separately identified and monitored through the monthly budget management meetings.	1	HoCF	Apr 06

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	Audit Commission Recommendations	Action	Project Level*	Owner	Time
3.	Review procedure for authorising and controlling change requests for all projects	<ul style="list-style-type: none"> <li>❖ The Project Sponsor/Board for major projects will be required to report to Stream and Programme Board any significant change requests, classified as <ul style="list-style-type: none"> <li>⇒ budget overspends in excess of £25,000,</li> <li>⇒ any slippage to the overall implementation date for the project or</li> <li>⇒ material changes to scope.</li> </ul> </li> <li>❖ Significant change requests must be signed off by Corporate Finance and agreed by the Programme Board.</li> <li>❖ Any change request that is less than £25,000 can be and can be achieved within timescale or scope should be handled by the Project Manager but reported to the Project Board for agreement. There will be a provision for urgent decisions and change requests to be agreed with the Project Sponsor. This procedure applies both to major projects and to those projects which involve external suppliers.</li> <li>❖ Any significant change requests will be reported to Programme Board and the Executive through the Programme Highlight report.</li> </ul>	<p>1</p> <p>1</p> <p>1,2</p> <p>1</p>	HoCF / PMO	Apr 06
4.	Ensure major revisions to project budget estimates are reported, reflected in formal virements and appropriately authorised. It would be appropriate for the Council to review delegated authorisation levels to ensure adequate reporting to members.	<ul style="list-style-type: none"> <li>❖ The Council's financial regulations and standing orders meet best practice. However, the arrangements for reporting projects to councillors will be improved as set out in point 2 of this action plan.</li> <li>❖ Each major project will be required to maintain a risk register. If risks are realised and the project is unable to identify savings to cover the risks, they must be reported to Programme Board and the Executive.</li> </ul>	1,2	PMO	Apr 06

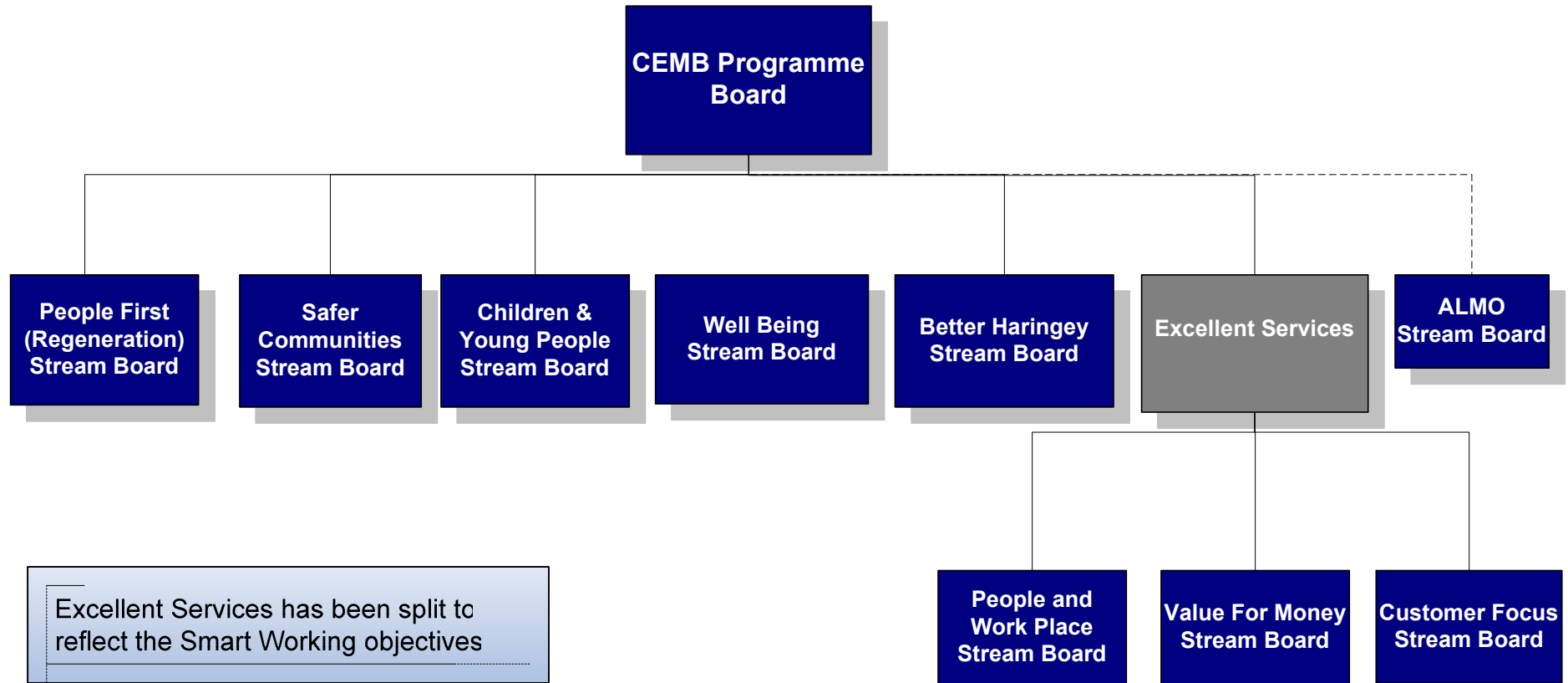


	<b>Audit Commission Recommendations</b>	<b>Action</b>	<b>Project Level*</b>	<b>Owner</b>	<b>Time</b>
5.	Establish costs expected to be incurred against key deliverables, and monitor these against actual costs	❖ The Council will profile, monitor and report on costs against key milestones, deliverables or project stages.	1	PMO	Apr 06
6.	Provide for the representation of Corporate Finance on project boards of major schemes	<ul style="list-style-type: none"> <li>❖ A representative from Corporate Finance will sit on Stream Boards and Project Boards of major projects.</li> <li>❖ The Director of Finance can also nominate representatives to sit on level 2 (programme) projects at his discretion.</li> </ul>	1 2	HoCF DirF	Apr 06 Apr 06
7.	Consider use of subject matter experts to challenge the design of future projects and give independent, external challenge	<ul style="list-style-type: none"> <li>❖ Independent, external challenge will be a requirement for all major projects and arrangements for challenge will be set out in the PID.</li> <li>❖ Independent challenge will be achieved in one of three ways: <ul style="list-style-type: none"> <li>⇒ External review at the project design stage</li> <li>⇒ 'Gateway' reviews linked to project milestones</li> <li>⇒ An independent representative on Project Boards.</li> </ul> </li> </ul>	1	PMO	Apr 06
8.	Ensure a robust project board is established with those nominated being able to commit the time and having the appropriate skills	<ul style="list-style-type: none"> <li>❖ Role descriptions for key personnel have been developed and will be communicated to all.</li> <li>❖ The Project Sponsor for major projects will be a member of Management Board without line management responsibility for the project area.</li> <li>❖ A member of Corporate Finance and the Change Team will sit on major project boards.</li> <li>❖ Attendance at Project Boards will be mandatory and will be monitored by the PMO with concerns reported through the highlight report.</li> <li>❖ A training programme on roles and responsibilities for key representatives on Project and Stream Boards</li> </ul>	1,2,3 1 1 1,2 1,2	PMO CEMB HoCF / PMO PMO HoOD	Mar 06 Apr 06 Apr 06 Apr 06 TBC

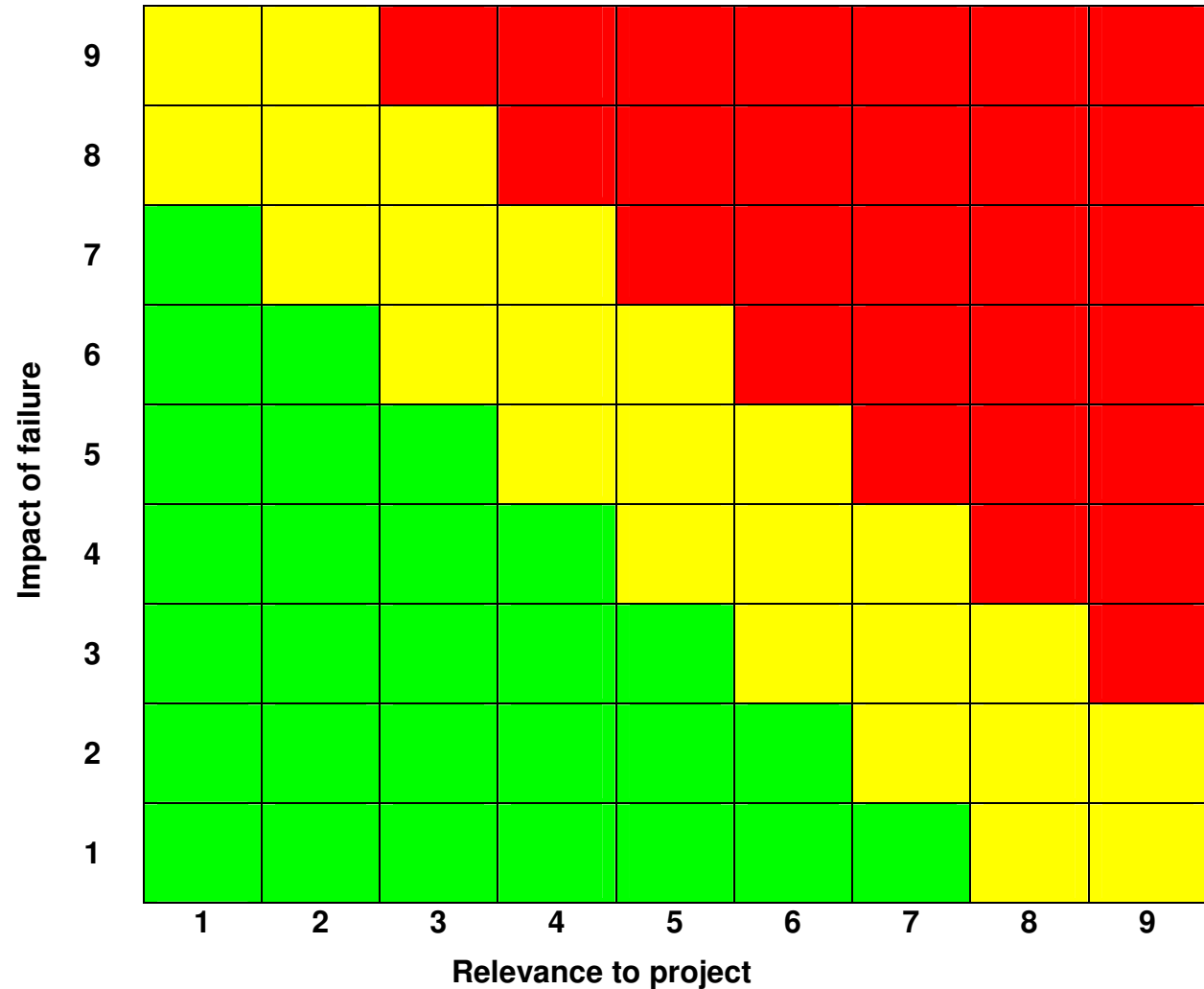
	Audit Commission Recommendations	Action	Project Level*	Owner	Time
		will be developed by OD&L. For all major projects the Project Board will be trained as a group on their roles and responsibilities as part of project set up.			
9.	Introduce a robust mechanism for quality and project assurance which is independent of the project	<ul style="list-style-type: none"> <li>❖ All major projects will be entered on the Council's corporate risk log to provide visibility and transparency.</li> <li>❖ The Council's Internal Audit will provide ongoing assurance by reviewing a sample of project risk registers, including all those for major projects.</li> <li>❖ Internal Audit will also undertake reviews of a sample of projects to ensure that projects adhere to the Councils' project management processes and to verify that the expected outcomes are monitored and reported.</li> <li>❖ Arrangements for ongoing review will be set out in the PID for major projects.</li> <li>❖ The PMO will perform a sample check of project documentation to ensure that it meets the Council's standards.</li> </ul>	<p>1</p> <p>1,2</p> <p>1,2</p> <p>1,2</p>	<p>HoIA</p> <p>HoIA</p> <p>PMs</p> <p>PMO</p>	<p>Apr 06</p> <p>Apr 06</p> <p>Apr 06</p> <p>Apr 06</p>
10.	Ensure project board reports cover project costs against budget for project staff, meetings, expenses, overtime, QA staff, user testing, consultancy, hardware, software, installation, infrastructure, licences and temporary workers	<ul style="list-style-type: none"> <li>❖ The budgetary reporting section of the project highlight report will be enlarged to cover the significant elements of the project costs.</li> </ul>	1,2,3	HoCF/ PMO	Mar 06
11.	Ensure clear audit trails for decision-making within projects	<ul style="list-style-type: none"> <li>❖ PMO will maintain a library of all project highlight reports, minutes and project documentations for all projects that report through the Programme.</li> </ul>	1,2	PMO	Mar 06

	<b>Audit Commission Recommendations</b>	<b>Action</b>	<b>Project Level*</b>	<b>Owner</b>	<b>Time</b>
12.	Consider whether a programme or project management approach is most appropriate at the outset of significant future projects	<ul style="list-style-type: none"> <li>❖ Clear criteria have been developed for projects and major projects that will report through the Programme.</li>   <li>❖ Governance arrangements for projects will be set out in the PID and will highlight whether there is individual responsibility for different project streams or whether separate Project Boards will be convened to cover these streams.</li> </ul>	1	PMO	Feb 06
			1,2	PMs	Apr 06

**APPENDIX B: PROPOSED PROGRAMME  
RESTRUCTURE – OFFICER STRUCTURE**



# PROJECT DECISION MATRIX



Each of the project criteria should be mapped on the matrix. The red section indicates level 1 'major project' criteria, the yellow section indicates level 2 'programme project' criteria and the green section indicates level 3 'service specific' criteria.

# APPENDIX C

## Project Criteria

- C1: Success or failure of the project may significantly impact on achieving the Council's corporate priorities.
- C2: The project involves expenditure of over £3 million revenue and/or £3 million capital.
- C3: Success or failure of the project would have a significant impact on the lives and/or services provided to residents.
- C4: The project involves significant cultural change / changes to existing ways of working.
- C5: Success or failure of the project is likely to significantly impact on the Council's external reputation.
- C6: The project would have a significant impact on the organisations' structures, functions and daily activities.
- C7: Achieve average financial or efficiency savings greater than 25% with significant impacts for the current year.
- C8: Successful delivery of a project usually involves more than one business unit / all business units in the Council.
- C9: Opportunity to significantly improve staff capability and morale across the organisation.
- C10: The project may be important to the achievement of central government objectives (e.g. PSA, Floor Targets).
- C11: The success or failure of the project is significantly dependent on the contribution of local partners and/or agencies.

## WORKED EXAMPLE – Street Lighting Replacement Programme

As an example, the project criteria have been mapped on the matrix below for the Street Lighting Replacement Programme:

Impact of failure	9								
	8								
	7								
	6				C1	C5	C2	C3	
	5		C10						
	4				C11				
	3								
	2								
	1	C4 C6 C9	C8	C7					
	1	2	3	4	5	6	7	8	9
	Relevance to project								

### Evidence

C1: The project is an element of Better Haringey and is a visible service to the community.  
 C2: The cost of the project is £3m over the next 3 years.  
 C3: Street lighting is a high profile service that will directly affect most of our residents.  
 C4: The project will not bring about cultural change or new ways of working.  
 C5: Any failure in the project would be picked up by the local press and have an adverse affect on residents satisfaction.  
 C6: The project will have no impact on the organisations structures.  
 C7: The project will reduce maintenance costs and energy costs but will not bring significant efficiencies.  
 C8: Delivery of the project will be delivered by Streetscene with little input required from other business units.  
 C9: The project does not provide an opportunity to significantly improve staff capability and morale across the organisation.  
 C10: The project has no direct impact on central government objectives but will contribute to environmental and community safety concerns  
 C11: The success of the project is dependent on the contribution of utility companies.

**OUTCOME:** Whilst the Street Lighting Replacement programme is a very visible project that will directly affect most of our residents, it will be delivered by one business unit and will not have a wider impact across the Council. This project would be managed as a level 3 project. It would not be classed as a major project.

## ROLES AND RESPONSIBILITIES

Roles and responsibilities for key elements of the programme are shown below. The general roles and responsibilities for the Programme and Stream Boards and the Programme Management Office reflect those agreed in the report setting up the programme in September 2004.

Further detail has now been added to clarify individual roles and responsibilities under each of the Boards. This clarification reflects PRINCE2 guidance.

### Councillor Steering Group

To provide strategic direction and political lead to projects within Steering Groups and to co-ordinate the 'Excellent Services' portfolio of projects.

#### Lead Councillor(s)

- ❖ To set strategic direction for projects within their Stream.
- ❖ To monitor progress against key milestones
- ❖ To scrutinise key risks and issues without involvement in operational management.
- ❖ To pick up links and interdependencies with other portfolios.

#### Director & Project Sponsor for major projects

- ❖ To provide councillors with project progress, including risks and issues.

### CEMB Programme Board

- ❖ Approve (or advise members) on new projects, PIDs and business cases;
- ❖ Monitor and manage the expected benefits from the programme, based on a monthly progress report prepared by the programme management function reporting on progress against the benefit realisation plan;
- ❖ Resolve (or find a way of resolving) risks, issues and policies escalated to it by stream boards and/or projects. Such resolution to be based on a briefing paper setting out the issues and proposals on the way forward prepared by the relevant project or stream board;
- ❖ Monitor, support and challenge streams and projects based on minutes of the relevant streams and projects, supported by the high light reports prepared for the stream board/project board.

#### All members

- ❖ To be accountable for the delivery of the Programme.
- ❖ To oversee the Programme, providing strategic insight and providing coherence between projects and streams.
- ❖ To be responsible for overall management and co-ordination of the

Programme of projects.

- ❖ To monitor and respond to risks and issues.
- ❖ To have budgetary control of the Programme of projects.
- ❖ To commit resources across the Programme and ensure sufficiently senior project sponsorship.
- ❖ Monitor and manage the realisation of the expected benefits from the Programme.
- ❖ Monitor progress against Programme Highlight Reports.
- ❖ Management of supplier / contractual relationships.
- ❖ Monitor, support and challenge Streams and projects based on the Programme Highlight Report.
- ❖ Raise the profile of policies and determining whether and how to resolve it.

### **Stream Board**

- ❖ Monitor and manage the portfolio of projects based on a monthly progress report;
- ❖ Resolve (or find a way of resolving) risks, issues and policies escalated to it by projects. This may include references from other stream boards. Such resolution to be based on a briefing paper setting out the issues and proposals on the way forward prepared by the relevant project;
- ❖ Monitor, support and challenge projects based on minutes of the relevant project boards, supported by the high light reports prepared for the project board.

### **Chair**

- ❖ To ensure projects deliver targeted benefits to predefined time, quality and cost constraints.
- ❖ To monitor, manage and provide an effective challenge to projects, resolving risks, issues and policies where possible.
- ❖ Ensure realisation of CPA requirements for that area.
- ❖ To agree change requests that are outside of predefined tolerance levels.

### **Corporate Finance Representatives**

- ❖ Provide independent challenge to projects
- ❖ Sign off PIDs
- ❖ To provide support and direction to projects on budget profiling.

### **Service / Business Unit Representatives**

- ❖ To provide service input to stream activity and facilitate activities within directorates.
- ❖ To feed back information to the services.
- ❖ To communicate with other key organisational representatives.



## Project Board for Major Projects

- ❖ Approve the start of the project via the Project Brief and the Project Initiation Document.
- ❖ Agree with the Project Manager on that person's role and responsibilities and objectives
- ❖ Confirm, with programme management the project tolerances
- ❖ Specify external constraints and delegate project assurance role
- ❖ Commit project resources
- ❖ Provide overall guidance and direction to the project
- ❖ Review completed stage plans and authorise change requests
- ❖ Take ownership of specified risks and issues
- ❖ Ensure that the project meets its objectives
- ❖ Approve post-implementation reviews and follow on actions.

## Project Sponsor

- ❖ To be accountable for the delivery of the project in accordance with the project brief and/or PID, reviewing progress against expected outputs, timescales and budget and ensuring the project meets agreed standards of time, quality and cost.
- ❖ To ensure the necessary resources are committed to carry out the project.
- ❖ To define the project in conjunction with the project manager.
- ❖ To act as champion of the project.
- ❖ To sponsor the communications programme; to communicate the project's goals to the organisation.
- ❖ To make key organisational/commercial decisions for the project.
- ❖ To approve the budget and decides tolerances.
- ❖ To oversee Gateway Reviews.

## Project Manager

- ❖ Plan, monitor and manage the project on a day-to-day basis.
- ❖ Take responsibility for the overall progress and use of resources and initiate corrective action where necessary.
- ❖ To produce change requests and report these to the Project Board.
- ❖ To produce project documentation, such as the PID and monthly project highlight reports.
- ❖ To organise independent external challenge and project assurance.

## Corporate Finance Representative

- ❖ To sign-off the Project Initiation Document (PID).
- ❖ To ensure clear budgetary information is reported through project highlight reports.
- ❖ To sign off change requests.

- ❖ Monitor project costs against budgets for project staff, meetings, expenses, user testing etc. and report these through the Project Highlight Report.
- ❖ To advise on budgets and tolerance levels.

#### **Change Team Rep.**

- ❖ To co-ordinate change activity across the portfolio of projects.
- ❖ To provide support and training on change management issues to projects as necessary.
- ❖ To drive and manage change.

#### **Other representatives**

- ❖ To provide expertise, input, advice and guidance.
- ❖ To monitor (and, where necessary, identify) and resolve risk, issues and policies and/or escalate them.
- ❖ To agree change requests that are within predefined tolerance levels.

### **Programme Management Office (PMO)**

At a strategic level, the ability to:

- ❖ maintain a strategic overview of the programme;
- ❖ monitor overall progress of individual projects as well as to monitor and challenge when appropriate project risks, issues, timescales and budget;
- ❖ join together the projects and project streams and ensure that they remain in the same direction of travel;
- ❖ spot tensions within and between projects and project streams and resolve them;
- ❖ manage the interdependencies and conflicts between projects and project streams;
- ❖ capture and disseminate lessons learnt; and
- ❖ critically evaluate progress.

At a more detailed level:

- ❖ collate project plans;
- ❖ ensure the application of the project management framework;
- ❖ critically evaluate progress;
- ❖ progress chase;
- ❖ monitor change requests;
- ❖ monitor attendance at Project Boards and Stream Boards;
- ❖ ensure audit trails exist and are easily accessible for programme projects;
- ❖ escalate issues; and
- ❖ advise and service the programme board.