



Haringey Council

Agenda item:

[No.]

Audit Committee

On 28 October 2008

Report Title: **Alexandra Palace – internal audit of corporate governance and internal controls at the Charitable Trust and Trading Company**

Forward Plan reference number (if applicable): **N/A**

Report of: **Head of Audit and Risk Management**

Wards(s) affected: **All**

Report for: **Information**

1. Purpose (That is, the decision required)

1.1 To advise the Audit Committee of the work completed to review corporate governance and internal control arrangements at Alexandra Palace and Park Charitable Trust and Alexandra Park Trading Limited.

2. Recommendations

2.1 That the Audit Committee notes the contents of the report and the actions agreed and being taken to address the findings and recommendations.

Report Authorised by: **Chief Financial Officer**

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

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3. Chief Financial Officer Comments

3.1 The Chief Financial Officer has been consulted, notes the contents of the report and has no additional comments to make.

4. Head of Legal Services Comments

4.1 The legal implications are set out in paragraphs 8.1 to 8.3.

5. Local Government (Access to Information) Act 1985

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

6. Strategic Implications

6.1 The Council has provided resources, including staff and financial support, to Alexandra Palace. In order to ensure that appropriate governance and internal control arrangements were in place, the Council's Chief Financial Officer requested that an internal audit be undertaken of both the charitable trust and trading company using his powers under section 151 of the Local Government Act 1972.

7. Financial Implications

7.1 There are no direct financial implications arising from this report. Internal Audit will provide advice and guidance where appropriate to support Alexandra Palace Charitable Trust and APTL in the implementation of recommendations. Internal Audit will also undertake follow up audits at APPCT and APTL to ensure that recommendations have been addressed. The costs of this will be contained within the Audit and Risk Management revenue budget.

8. Legal Implications

- 8.1 The internal audit of APPCT and APTL was conducted under the powers of the Council's Chief Financial Officer to secure proper administration of financial affairs under section 151 of the Local Government Act 1972.
- 8.2 The governance arrangements identified within the audit reports are equally relevant to the Council's charity trustee role and the s151 Officer's role.
- 8.3 A copy of the internal audit report has been provided to the solicitor for APPCT.

9. Equalities Implications

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

10. Consultation

10.1 The reports referred to in this report have been agreed with officers at Alexandra Palace charitable trust and trading company and will be presented to the respective Boards for consideration and approval.

11. Background

- 11.1 An independent review was commissioned into the circumstances surrounding the granting of a licence to Firoka (Alexandra Palace) Ltd. The review was completed and reported to the Alexandra Palace Board on 26 September 2008. The report recommended that internal audit undertake further work to review the governance and internal control arrangements in operation at Alexandra Palace and Park Charitable Trust (APPCT) and Alexandra Palace Trading Company Ltd (APTL) to provide assurance that these were appropriate and operating as intended.
- 11.2 The Director of Corporate Resources and Chief Financial Officer, joint signatories to the above report, requested that this work was undertaken by the Council's internal audit function in accordance with section 151 of the Local Government Act 1972.
- 11.3 The work was completed and the findings and recommendations agreed with the relevant managers at APPCT and APTL. Action plans to address the recommendations were also agreed with the APPCT and APTL managers. The audit reports have been submitted to the respective Boards for consideration and confirmation that they are satisfied with the agreed action plans.
- 11.4 Internal audit are satisfied with the responses received from APPCT and APTL managers and consider that the agreed actions should assist in improving governance and internal control arrangements within both organisations. Internal Audit will undertake follow up reviews at both organisations to ensure that the agreed actions have been implemented.
- 11.5 Summaries of both reports, in accordance with normal reporting procedures for those areas receiving limited assurance ratings, are attached to this report for information.

Alexandra Palace and Park Charitable Trust (APPCT)

Scope	Key findings and recommendations	Assurance
<p>Audit work was undertaken to cover the following areas:</p> <ul style="list-style-type: none"> • Organisational Structure; • Delegation of Authority and Accountability; • Control environment including risk assessment and management; • Compliance with Financial and Contract Procedure Rules; • The role of APTL and the Trust's management in ensuring key governance and control processes are operating effectively; • Monitoring and reporting processes in relation to governance and control issues both within APTL and the Trust and between APTL/the Trust and Haringey Council; • Review procedures to ensure local and statutory regulations are complied with; and • Follow up processes where incidences of non-compliance are identified. 	<p>A number of controls were observed to be operating satisfactorily, some of which are listed below:</p> <ul style="list-style-type: none"> • The Trust is meeting their external reporting requirements in accordance with Charity Law. • Evidence exists that some contracts have been successfully tendered and entered into. <p>Within the system there are weaknesses which put some of the system objectives at risk. The key areas where weaknesses were found at the time of audit include:</p> <ul style="list-style-type: none"> • The Trust did not have a formal code of corporate governance in place at the time of the audit. • The Trust did not have a formal risk management framework in place at the time of the audit. • The Trust did not have a formal contract management framework in place at the time of the audit. • The Trust advised that external audit completed additional work to provide assurance, but no reports were available to support this apart from the opinion in the annual statement of accounts. • The Trust did not have a formal performance review framework in place at the time of the audit. <p>As a result of our audit work, we have raised a number of recommendations to help improve controls in the respective areas. We have raised six priority 1 recommendations and six priority 2</p>	<p>Limited</p>

Alexandra Palace and Park Charitable Trust (APPCT)

Scope	Key findings and recommendations	Assurance
	<p>The priority 1 recommendations are as follows:</p> <ul style="list-style-type: none"> • The Trust put in place a Code of Corporate Governance for their organisation; • The Trust implement a risk management framework for their organisation; • The Trust formally agrees an operating framework between the organisations and Haringey Council. • The Trust implement a contract management framework for their organisation; • The Trust implements a formal business planning framework for their organisation; and • The Trust should ensure that its expenditure complies with local and statutory procurement regulations. 	

Alexandra Palace and Park Trading Limited (APTL)

Scope	Key findings and recommendations	Assurance
<p>Audit work was undertaken to cover the following areas:</p> <ul style="list-style-type: none"> • Organisational Structure; • Delegation of Authority and Accountability; • Control environment including risk assessment and management; • Compliance with Financial and Contract Procedure Rules; • The role of APTL and the Trust's management in ensuring key governance and control processes are operating effectively; • Monitoring and reporting processes in relation to governance and control issues both within APTL and the Trust and between APTL/the Trust and Haringey Council; • Review procedures to ensure local and statutory regulations are complied with; and • Follow up processes where incidences of non-compliance are identified. 	<p>A number of controls were observed to be operating satisfactorily, some of which are listed below:</p> <ul style="list-style-type: none"> • APTL are meeting their external reporting requirements in accordance with Company Law respectively. • Evidence exists that some contracts have been successfully tendered and entered into. • APTL has formulated a draft business plan and introduced a scheme of delegation. • APTL has successfully recruited to some key vacant positions. • APTL had prepared a code of governance and scheme of delegation for approval. <p>Within the system there are weaknesses which put some of the system objectives at risk. The key areas where weaknesses were found at the time of audit include:</p> <ul style="list-style-type: none"> • A formal risk management framework was not in place at the time of the audit. • A formal contract management framework was not in place at the time of the audit. • External audit completed additional work to provide assurance, but no reports were available to support this apart from the opinion in the annual statement of accounts. • No formal performance review framework was in place at the time of the audit. • CRB checks had not been completed in all relevant cases. 	<p>Limited</p>

Alexandra Palace and Park Trading Limited (APTL)

Scope	Key findings and recommendations	Assurance
	<p>As a result of our audit work we have raised nine Priority 1, eight priority 2 and one priority 3 recommendations to help improve controls in the area.</p> <p>The priority 1 recommendations are as follows:</p> <ul style="list-style-type: none"> • APTL implement a risk management framework for their organisation; • APTL formally agree an operating framework between the organisation and Haringey Council. • APTL implement a contract management framework for their organisation; • APTL implement a formal business planning framework for their organisation; • All current vacant posts should be filled as soon as possible. • APTL should ensure that its expenditure complies with local and statutory procurement regulations; • There should be adequate separation of duties across all functions and operational processes. • All relevant persons should be subject to CRB check; and • All relevant staff should hold appropriate security licenses. 	