

**MINUTES OF THE AUDIT COMMITTEE
THURSDAY, 23 APRIL 2009**

Councillors Rahman Khan (Chair), Davies, Diakides, Gorrie and Mallett (Vice-Chair)

Apologies Councillors Bull and Mughal

Also Present: Councillor Adje (item PRAC82)

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRAC75.	APOLOGIES FOR ABSENCE Apologies for absence were received from Cllr Bull and Cllr Mughal.	
PRAC76.	URGENT BUSINESS There were no new items of urgent business. The Chair agreed to the admission of the late report "Progress Report on Counter Fraud Activity Relating to Housing Benefit and Council Tax Benefit". NOTED	
PRAC77.	DECLARATIONS OF INTEREST There were no declarations of interest.	
PRAC78.	MINUTES RESOLVED That the minutes of the Audit Committee held on 3 February 2009 be approved and signed by the Chair, subject to the following minor amendment: i) That the wording "the role of the Sector" in the third paragraph on page 2 be amended to read "the role of Sector".	
PRAC79.	DEPUTATIONS AND PETITIONS There were no deputations or petitions.	
PRAC80.	ACCOUNTING POLICIES AND ACCOUNTS 2008/09 Graham Oliver, Head of Finance – Accounting, Control and Income, presented the report on the accounting policies being used for the closure of the Council's accounts for 2008/09. Mr Oliver reported that there were no significant changes to the accounting policies from the previous year.	

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In response to a question from the Committee, Mr Oliver reported that the service element of the PFI contract had been suspended, but that the debt element was still in place. In response to a question regarding the way in which changes to the EUV were reflected, Mr Oliver reported that in the event of an increase in the valuation there was a valuation reserve and that, in the event of a decrease, any balance in the reserve was removed, with any further decrease reflected in the income and expenditure accounts and managed in the General Fund balance to ensure that Council Tax was not affected as a result. Mr Oliver agreed to provide the Committee with information on how the Existing Use Valuation (EUV) for council housing related to the market outside the meeting, and also information on what was classified as 'infrastructure' for the purposes of depreciation.

The Committee asked whether it had been decided that Alexandra Palace and Park should not form part of the group accounts for 2008/09. Mr Oliver confirmed that in preparation for the closure of the 2008/09 accounts this decision had been taken by officers, subject to review by the Council's external auditors. In response to questions from the Committee about why Alexandra Palace and Park did not form part of the group accounts, given that it was incorporated into the Council's Corporate Risk Register, the Chief Financial Officer reported that Alexandra Palace and Park was reflected in the Council's risk register in respect of the deficit relating to the Council's funding of the operations of the Trust, but that the Trust had its own risk register and governance controls in place. The Chief Financial Officer reported that the position relating to the Trust was reviewed on a yearly basis. Cllr Gorrie expressed concern that in approving the accounting policies, it was being asked to accept the view that Alexandra Palace and Park was a separate body, however the Chair stated that the policies, which were backed by legal opinion and the external auditors, reflected convention and practice and related to the items appearing within the statement.

In response to a question from the Committee on capital receipts, Mr Oliver confirmed that, in respect of capital receipts, 50% was set aside in accordance with policy and any further decision was made following the grant returns. In relation to the cost of support services mentioned in the report, Mr Oliver would circulate further information on the variety of bases on which the cost allocation had been made to the Committee outside the meeting. Mr Oliver would also circulate to the Committee the changes made to the accounting policies since the previous year, which were mainly grammatical amendments.

The Chair thanked officers for the report, which enabled an understanding of the various elements of the accounting policies. The Chair asked the representatives of Grant Thornton, the Council's external auditors, to confirm that they were satisfied with the position of valuation of stock and fixed assets as set out in the report, and also to confirm that it was the case that they had provided assurances that the Council had correctly applied appropriate accounting policies in relation to previous years. Grant Thornton confirmed that they were satisfied with

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	<p>the aspects highlighted by the Chair, including the valuation of Stock, and also confirmed that they had provided assurances relating the to Council's application of accounting policies in previous years.</p> <p>Taking into account the comments and assurances provided above, and subject to additional information requested by the Committee and the reservation expressed by Cllr Gorrie in respect of the separate status of the Alexandra Palace and Park Trust, on a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the accounting policies to be used in the closure of the Council's accounts for 2008/09, as set out in the report, be approved.</p>	
<p>PRAC81.</p>	<p>IMPLEMENTATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)</p> <p>Graham Oliver, Head of Finance – Accounting, Control and Income, gave a presentation on the introduction of the new International Financial Reporting Standards (IFRS), covering the timescale for transition, the significant changes affecting areas such as PFI, leases, valuation of assets, holiday pay accrual and group accounts, the work Haringey was carrying out in preparation for implementation and the resource requirements.</p> <p>In response to questions from the Committee, Mr Oliver clarified that the holiday pay accruals only related to any days' leave not used during the leave year. Mr Oliver also confirmed that based on the current information available, the only area of the IFRS implementation with a possible effect on revenue would be the holiday pay accruals. The Chief Financial Officer reported that the more complex way in which assets would be valued under the IFRS would have a one-off cost implication, which would be planned for by the Council. The Committee asked why implementation of the IFRS was not mentioned in the current budget plan. The Chief Financial Officer reported that there was ongoing dialogue with the Government regarding the regulations that might be put in place to mitigate any impact on council tax and that ways of managing any one-off costs were being explored, so the implementation was not included in the budget strategy process. In response to a question from the Committee about the application of IFRS to the Alexandra Palace and Park accounting arrangements, it was reported that guidance was awaited from CIPFA on how the IFRS would apply.</p> <p>It was reported that, for the financial year 2009/10, a second set of accounts would be drawn up as though IFRS was fully applicable, in preparation for the first full IFRS compliant accounts in 2010/11. It was confirmed that the IFRS accounts compiled for 2009/10 would not need to be audited, and so would not incur additional costs in this respect.</p> <p>The Chair welcomed the implementation of the IFRS as a bold initiative, which would lead to more transparent accounts and a greater understanding of the financial position of the Council in future. The Chair welcomed the gap analysis to be carried out by Grant Thornton, and</p>	

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	<p>requested that they be proactive in the work undertaken to prepare for the IFRS. The Chair added that adequate resources should be provided to the Chief Financial Officer to comply with the new requirements.</p> <p>Taking into account the comments made during the discussion and the assurances provided by officers, and in anticipation of the forthcoming CIPFA guidance, on a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the content of the report and the accompanying presentation, and the actions being taken to implement the new IFRS requirements be noted.</p>	
<p>PRAC82.</p>	<p>AUDIT COMMITTEE UPDATE FROM GRANT THORNTON</p> <p>Grant Thornton presented an audit progress report. Members were advised that there were no significant issues to report to the Committee arising from the interim accounts audit, and that during 2009/10 Grant Thornton would be monitoring the Council's response to the Audit Commission's recommendations on treasury management, as well as the internal recommendations and the recommendations arising from the PWC report on treasury management.</p> <p>In response to a question from the Committee, it was confirmed that the Audit Commission's report was publicly available, and clarified that this report did not relate specifically to Haringey. The Chief Financial Officer confirmed that the Council had committed to implement the recommendations of the internal review, the PWC review and the Audit Commission report, and that these recommendations were all included in the Internal Audit report at this meeting.</p> <p>The Cabinet Member for Resources confirmed that that the Council's progress against the recommendations would be monitored and reported to the Committee on an ongoing basis, and added that if any member had concerns regarding specific issues they should raise these to be looked into further by the Council's external auditors or officers. The Cabinet Member for Resources stated that he felt the Council was on-target to implement the recommendations.</p> <p>Taking into account the observations of the Committee, on a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the content of the report be noted.</p>	
<p>PRAC83.</p>	<p>AUDIT AND INSPECTION FEES 2009/10</p> <p>Grant Thornton presented a report on the proposed audit and inspection fees for 2009/10, and advised the Committee of changes to the Audit Commission requirements, as a result of which an indicative fee would</p>	

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be agreed with the Council on a risk basis. A final work plan would be produced following the completion of the Use of Resources assessment and the fee would be reviewed and updated as necessary. It was reported that the proposed fee for 2009/10 was £505k, which was 14% higher than the Audit Commission scale fee, as a result of the increased risks relating to the preparation for the IFRS, data quality, treasury management, managing performance through partnerships and workforce management work.

Referring to risk-based auditing, the Chair expressed his expectation that the audit work undertaken would enable the prevention of any potentially damaging issues for the Council, by ensuring that appropriate systems and controls were in place.

The Chief Financial Officer advised the Committee that a separate audit of the Pension Fund accounts would now be carried out. The Chief Financial Officer recommended that the fees as outlined be approved, and advised that when a final fee was confirmed, including the Pension Fund, this would be reported back to the Committee.

In response to a question from the Committee in relation to the additional pieces of work, Grant Thornton confirmed that the one-off pieces of work planned for the current year exceeded the amount of one-off pieces of work undertaken in the previous year. Grant Thornton confirmed that the Audit Commission's scale fee differed from year to year, due to changes in inflation and expenditure.

In response to a question from the Committee regarding whether it was possible to negotiate the fee, the Chief Financial Officer reported that it would be possible to de-commission some of the additional work that had been identified but that, as these had been identified on a risk-based approach, any decision not to proceed with a piece of work would require justification. It was reported that any further disagreements regarding the fee could be referred to the Audit Commission for arbitration. The Chief Financial Officer stated that in the present circumstances he felt that it would be advisable to audit the areas identified via risk-based assessment, and recommended that the proposed fee be approved.

In response to a question from the Committee regarding whether fees would continue to rise year on year, Grant Thornton reported that, depending on the outcome of the work on the accounts, Use of Resources assessment and IFRS planning, fees could return to the scale fee in the following year.

The Chair highlighted the Committee's concern regarding the increase in fee, but felt that the Committee should agree the proposed fee on the basis of the advice provided by the Chief Financial Officer, and the requirements of the Council. The Chair added that it was assumed that all required information would be provided in a timely fashion and to the standard required, and sought assurance from the Chief Financial officers that officers would comply with all necessary requirements. The

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	<p>Chief Financial gave assurance that officers would comply with the requirements of Grant Thornton.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the proposed audit and inspection fees for 2009/10 from Grant Thornton and the Audit Commission be noted and approved.</p>	
<p>PRAC84.</p>	<p>PROGRESS REPORT ON COUNTER FRAUD ACTIVITY RELATING TO HOUSING BENEFIT AND COUNCIL TAX BENEFIT</p> <p>Helen Tsentides, Benefits and Local Taxation, presented the progress report on counter fraud activity relating to housing benefit and council tax benefit. In 2008/09, the overall target for sanctions had successfully been met. Ms Tsentides reported that the fourth quarter of 2008/09 had exceeded the target, with 58 sanctions being issued. During 2008/09, over £1m in overpaid benefits had been identified, £31k had been raised as a result of Administrative Penalties and approximately £419k had been generated in Government subsidy. Proactive work to encourage claimants to notify the Council of changes in circumstance, and participation in the National Fraud Initiative had yielded positive results.</p> <p>In response to a question from the Committee, Ms Tsentides reported that income generated from Administrative Penalties was in addition to the recovery of any overpaid benefits.</p> <p>The Chair noted that it was the Council's legal duty to maintain and further develop an effective approach to counter-benefit fraud activity, and as such to reclaim any overpaid benefits, and expressed satisfaction that the target for the year had been achieved.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the content of the report and the work being carried out by the Benefits and Local Taxation Service in relation to Counter Fraud activity be noted.</p>	
<p>PRAC85.</p>	<p>INTERNAL AUDIT ANNUAL PLAN AND STRATEGY 2009/10</p> <p>Anne Woods, Head of Audit and Risk Management, presented a report on the proposed Annual Internal Audit Plan for 2009/10 and the Internal Audit Strategy. Ms Woods highlighted the proposed development of controlled risk self assessment for managers responsible for key financial systems as an additional assurance mechanism in this area. Key controls would also be tested regularly by both the internal and external auditors.</p> <p>The Committee welcomed the developments in the area of key financial systems, but concern was expressed that the audit of key financial</p>	

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systems would be too thinly spread to adequately identify and challenge areas of concern. Concern was also expressed that there seemed to be no specific focus on Children's Services, Child Protection, Safeguarding Adults, Alexandra Palace, or on areas identified as concerns in audits carried out during 2008/09. Ms Woods responded that the Council worked with the external auditors and CIPFA benchmarking services to assess how many days to allocate for each area, and that the work was planned on a risk-based approach, which was best practice within the resources available.

Ms Woods reported that an audit of the Alexandra Palace and Park Trust and trading company had been carried in 2008/09, and that work on a follow up report to monitor progress against the recommendations of the audit was being undertaken. In response to the request of the Committee that ongoing monitoring of Alexandra Palace and Park be included in the yearly internal audit plan, Ms Woods agreed to develop the scope for a mechanism to ensure that the Alexandra Palace and Park risks were appropriately managed and controlled on an ongoing basis, to be included in the annual audit plan. Ms Wood also reported that Alexandra Palace and Park were in the process of appointing its own internal auditors.

In response to concerns raised by the Committee that issues on the Corporate Risk Register did not seem to be covered by the plan, Ms Woods responded that these were covered in the detailed plans relating to the various audit titles. The Committee suggested that the link between items on the Corporate Risk Register and the Annual Audit Plan be made more explicit.

On behalf of the Committee, the Chair requested that overall Child Protection should form a separate part of the audit plan, not just unaccompanied asylum-seeking children. Ms Woods would consider the way in which the breadth of Child Protection issues could be reflected in the Annual Internal Audit Plan, and would report back to the Committee.

The Committee requested that the monitoring of compliance with the recommendations of all audits conducted on the Council by various external services such as Ofsted, Social Service Audit, Care Quality Commission Inspection Reports, Health care Commission etc be included as a separate item in the Annual Audit Plan, with periodic progress reports to the Audit Committee. Ms Woods agreed that progress reports against all action plans, including those for recommendations from audits carried out by external bodies, would be reported to the Committee on a regular basis.

In response to a question from Cllr Diakides on an issue raised previously relating to the disposal of assets, it was confirmed that an audit had been carried out in this area as a result and the findings reported to the Audit Committee. The audit report would be forwarded to Cllr Diakides outside the meeting.

Taking into account the comments raised during the discussion, and the

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	<p>requests from the Committee for additional pieces of work relating to the ongoing monitoring of Alexandra Palace and Park, general Child Protection and compliance with the recommendations of all audits undertaken on the Council, including those by external bodies, it was:</p> <p>RESOLVED</p> <p>That the Annual Internal Audit Plan and the internal audit strategy for 2009/10 be approved.</p> <p>On behalf of the Committee, the Chair expressed the hope that the work agreed would ensure that any potential risks were identified and addressed at an early stage, in order to protect the best interests of the Council, and to obtain better gradings in future CAA assessments.</p>	
<p>PRAC86.</p>	<p>INTERNAL AUDIT PROGRESS REPORT - 2008/09 QUARTER 4</p> <p>Anne Woods, Head of Audit and Risk Management, presented a report on the work undertaken during the fourth quarter by the Internal Audit Service in completing the annual audit plan, any responsive fraud investigation work and the work of the Council's personnel division in supporting disciplinary action taken across all departments by respective managers.</p> <p>The Chair reported that some of the deadlines for compliance with audit recommendations had been extended in consultation with the Chair, but that officers had been advised by the Chair that no further extensions would be permitted, in order to ensure that there was no negative impact on stakeholders as a result of delayed implementation of recommendations.</p> <p>In response to a question from the Committee, the Chief Financial Officer confirmed that the Committee would receive updates on progress with the implementation of all the recommendations. The Chair confirmed that updates should be received regarding all levels of recommendation, not just priority 1 recommendations, to ensure best practice was being followed. Heads of Service would be required to attend the Audit Committee in the event of any of the deadlines for implementation not being met.</p> <p>RESOLVED</p> <p>That the audit coverage and progress during the fourth quarter 2008/09, and the progress and responses received in respect of outstanding audit recommendations be noted.</p>	
<p>PRAC87.</p>	<p>RISK MANAGEMENT AND CORPORATE RISK REGISTER</p> <p>Anne Woods, Head of Audit and Risk Management, presented a report on the current position on risk management implementation across the Council, the revised risk management strategy for consideration by the Committee and the register of corporate business risks. Ms Woods</p>	

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advised the Committee of the implementation of a new electronic performance management system (Covalent), which would enable the electronic management of all risk registers, and would result in a new format for the corporate risk register when it was next reported to the Committee. Ms Woods reported that the corporate risk register was monitored by the Chief Executive's Management Board on a regular basis.

In response to a question from the Committee regarding the meaning of a risk classified as red, Ms Woods reported that either the likelihood or impact of the risk was high, or both. In response to a question as to whether this meant that the risk was unacceptable, it was reported that in certain circumstances it was not possible to reduce the level of risk, but that appropriate actions and controls to manage the risk would be put in place until the circumstances were such that the level of risk could be reduced. In response to questions regarding the way in which the impact of risks was assessed, it was reported that the assessment was subject to individual interpretation, and could only reflect a particular point in time.

It was suggested by the Committee that risks should be more focussed and specific in order to ensure that they could be effective, with a single person responsible, rather than spreading ownership of a risk over a number of officers. Ms Woods reported that the risks included in the corporate risk register were supported by the underlying business unit and departmental risk registers, from which the corporate risk register was compiled, and that a greater level of detail on each risk could be found in these underlying registers. The feedback on identifying a direct owner for each risk was welcomed, and would be looked into further.

In response to a question from the Chair regarding the confirmation of whether everyone was aware of the key risks and responsibilities, Ms Woods reported that this confirmation would be included in the forthcoming Annual Governance Statement. As the Corporate Risk Register was supported by 34 or more other Departmental, Business Unit and Service-level risk registers not presented to the Committee at this meeting, the Chair asked whether the departmental and business unit risk registers underlying the corporate risk register had been properly verified, in presenting the report to the Audit Committee; both Ms Woods and the Chief Financial Officer confirmed that these had been properly scrutinised to ensure appropriate governance of the Council's risks.

In response to concerns raised by the Committee that the risk of a reduction in public spending should be reflected in the corporate risk register, it was confirmed that this had now been added to the risk register under CEMB1. Given the significance of the areas of child protection and adult safeguarding, and the impact of these areas on the Council's CAA assessment, in response to a request by the Chair it was agreed that these areas be made more explicit against CEMB5 on the corporate risk register.

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	<p>In order to avoid any confusion, the Chair asked Ms Woods how the potential conflict of interest presented by having ownership of corporate risk CEMB18 and at the same time being responsible for the overall monitoring of risk management was resolved. Ms Woods responded that this would be assessed independently by Deloitte and Touche for assurance.</p> <p>In response to a question regarding the benchmarking of assessment and management of risk, Ms Woods confirmed that this was carried out by Deloitte and Touche, and was a cross-London exercise. The Chair suggested that benchmarking should be carried out on a yearly basis, and reported to the Committee.</p> <p>The Committee enquired about the progress with the whistle-blowing report, and Ms Woods advised that a separate report on whistle-blowing would be presented to the Committee along with the annual governance report.</p> <p>Taking into account the comments of the Committee, on a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the implementation of the risk management strategy across the Council be noted, with direction from the Committee to all concerned that proper risk-based safeguards be established forthwith at all levels in order to ensure the uplift of the Council's position at the next CAA assessment. ii) That the revised risk management policy and strategy be approved. iii) That Child Protection, in light of the Baby P case, and Safeguarding Adults be included in the Corporate Risk Register along with the additional risks as identified at paragraph 16.1 of the officer's report. iv) All units should ensure that risk registers (including the new electronic system as mentioned in point 15.3 of the Report) are kept up to date. 	
<p>PRAC88.</p>	<p>OFFICE OF THE SURVEILLANCE COMMISSIONERS (OSC) INSPECTION</p> <p>Anne Woods, Head of Audit and Risk Management, presented the report on the inspection visit made to Haringey by the Assistant Surveillance Commissioner in March 2009, the recommendations made by the OSC and the Council's response. It was reported that the OSC had not identified any significant issues in the Council's use of RIPA, and that all the recommendations made in the report had been agreed by the Council and would be implemented.</p> <p>In response to a question from the Committee regarding the breakdown</p>	

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	<p>of circumstances where RIPA had been used, it was reported that a report giving these details had been presented to the Committee separately and was not included in the OSC report.</p> <p>RESOLVED</p> <p>That the content of the OSC inspection report be noted, and the action plan to address the recommendations made by the Surveillance Commissioner be approved.</p>	
PRAC89.	<p>NEW ITEMS OF URGENT BUSINESS</p> <p>There were no new items of urgent business.</p>	
PRAC90.	<p>DATE OF NEXT MEETING</p> <p>Tuesday, 2 June 2009 at 19:30hrs at the Civic Centre.</p> <p>As this had been the last meeting of the Audit Committee for the municipal year, the Chair thanked all Members and officers for their support over the past year.</p>	

COUNCILLOR GMMH RAHMAN KHAN

Chair