

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 JUNE 2009**

Councillors Rahman Khan (Chair), Diakides, Mallett (Vice-Chair), Meehan and Butcher

Apologies Councillor Gorrie

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRAC91.	<p>APOLOGIES</p> <p>The Chair welcomed Cllrs Meehan and Butcher as new members of the Audit Committee.</p> <p>Apologies for absence were received from Cllr Gorrie.</p>	
PRAC92.	<p>URGENT BUSINESS</p> <p>There were no new items of urgent business.</p>	
PRAC93.	<p>DECLARATIONS OF INTEREST</p> <p>There were no declarations of interest.</p>	
PRAC94.	<p>MINUTES</p> <p>RESOLVED</p> <p>That the minutes of the Audit Committee held on 23 April 2009 be approved and signed by the Chair.</p>	
PRAC95.	<p>DEPUTATIONS AND PETITIONS</p> <p>There were no deputations or petitions.</p>	
PRAC96.	<p>GRANT THORNTON - AUDIT PROGRESS REPORT</p> <p>Grant Thornton presented their report on progress since the previous Audit Committee meeting. The Committee was advised that the International Financial Reporting Standards (IFRS) report had been drafted and would be presented to the Audit Committee once input had been received from officers. It was also reported that it was anticipated that Grant Thornton would receive the Council's accounts in advance of the deadline, and the Chief Financial Officer and his team were thanked for this positive achievement.</p> <p>The Chair thanked Grant Thornton for their report, and welcomed the news that no significant issues had been identified as a result of the interim audit of the accounts.</p>	

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 JUNE 2009**

	<p>RESOLVED</p> <p>That the content of the report be noted.</p>	
<p>PRAC97.</p>	<p>DRAFT ANNUAL GOVERNANCE STATEMENT 2008/09</p> <p>The Head of Audit and Risk Management, Anne Woods, presented the report on the draft Annual Governance Statement (AGS) for 2008/09. The Committee was advised that it was a statutory requirement for the AGS to be published as part of the Council’s statement of accounts and that it was the responsibility of the Audit Committee to review the draft document. Ms Woods reported on the way in which the AGS had been compiled by a core group of key officers and on the format of the AGS, which was prescribed by CIPFA. The Committee was advised that key changes in 2008/09 were the introduction of a local code of corporate governance and the implementation of recommendations from the previous year’s AGS. Actions required to address any gaps in assurance or evidence were detailed in the matrix of supporting evidence appended to the report, as well as in the more detailed AGS action plan and other external action plans. Progress against all the action plans would be reported to the Audit Committee on a regular basis.</p> <p>Committee members expressed concern that the evidence required under the CIPFA guidance was documentary in nature, and did not include information on how procedures were implemented in practice. Whistle-blowing was raised as an example of an area where policy was in place, but the report did not clearly demonstrate that this had been acted on and the Committee emphasised that it was essential to have greater information on how policies such as this were used in practice. Ms Woods reported that the in the previous year the external auditors had looked at the extent to which the documentary evidence could be relied upon for assurance and that, where it was found that there was a risk of policies not being followed, this was addressed by an action plan. It was also reported that the local code of corporate governance had been developed as a way of drawing together all the existing policies, in line with CIPFA and SOLACE guidance.</p> <p>Concern was expressed that the draft AGS did not fully reflect the position relating to internal control procedures in the course of the previous year, and suggested that as a result of the significant events of the year, further work on self-assessment and checking was necessary. Ms Woods reported that risk and data quality, which were key areas in this regard, were covered in both the internal and external audit plans for the forthcoming year. Committee members expressed particular concern regarding the wording under paragraph 4.7 of the draft AGS that “no significant issues were identified during 2008/09 by the Audit Committee”. On this point, the Chair commented with example that the wordings were not correct. Following clarification by Ms Woods that this referred specifically to the work programme of the Audit Committee, it was agreed that this wording be amended.</p>	

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 JUNE 2009**

The Chair advised the Committee that he had requested the officers that additional reports on non-financial activities be reported to the Audit Committee to ensure that Committee members were able to monitor these effectively, i.e. external inspection reports action plan updates. Committee members also emphasised the importance of the Committee being able to ensure that relevant officers attended meetings of the Committee to account for any issues arising within their Service.

On the specific issue of treasury management, the Chief Financial Officer proposed that the wording of the AGS be amended to make clear that, as agreed at the previous meeting, the Audit Committee was to monitor the implementation of the recommendations arising from the national review.

In light of the serious issues identified in the previous year, the Committee suggested that the report should include specific deadlines and clear details of the issues identified and the specific actions that would be taken to address these, and the way in which this process would be reported to the Audit Committee. Ms Woods reported that details of the actions to be taken, timescales and updates on progress with the recommendations made by external bodies would be reported to the Committee on a regular basis. The Committee requested that this be reflected in the AGS and it was agreed that the draft would be amended to reflect this. The Committee emphasised the importance of identifying corrective actions and not just problems, and raised as an example a recent issue that had been identified relating to literacy, for which an action plan and follow up actions were needed to ensure that the issue was addressed fully.

The Committee requested assurance that external checks were carried out on the quality of the information being provided, to ensure that the position being reported was accurate. The Chief Financial Officer advised that this was part of the internal and external audit work on data quality, which examined whether information was true and reflective of the real situation and had been recognised as a key issue. Committee members noted that there was a wider issue of culture which needed to be addressed, which went beyond issues relating to data quality. In response to the advice of the Chief Financial Officer that some of these issues were addressed in the JAR action plan, the Committee requested that a sentence be added to the AGS to reflect the fact that issues relating to culture and practice on the ground were covered in the JAR action plan.

The Committee asked how checks were made to obtain assurance that the issues identified with culture and practice in certain Services weren't present throughout the Council. Ms Woods responded that with benefit claims, for example, work was sample-checked for quality assurance and full details were also provided in specific reports. The Committee emphasised that, while good data was important, it was essential to follow up and check on the implementation of policies to provide the full picture.

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 JUNE 2009**

The Chair asked the Chief Financial Officer whether assurance could be provided that, by fulfilling the requirements in producing the AGS, the Council's rating under the Comprehensive Area Assessment would improve from the present CPA 1 star rating. The Chief Financial Officer reported that the Council aspired to improve its rating, but that improvement could not be guaranteed by meeting the requirements of the producing the AGS, as the rating would be at the discretion of the assessors plus there are a number of other service areas that require improvement.

The Chair asked whether the Chief Financial Officer had applied his full responsibility and professional expertise in the preparation of the draft AGS, and the Chief Financial officer confirmed that this was the case. The Chair noted that no consultation had been carried out in the preparation of the report, and asked whether, as the AGS related to the quality of performance, officers were confident that the AGS could help to recover the Council's ratings position. Ms Woods clarified that the document had not been consulted on externally as it was a document to be produced by the Council, and reported that the Chief Financial Officer, Chief Executive and other Directors were all included in working to improve the Council's rating. The Chair asked whether officers were satisfied with the wording of the sections dealing with the governance framework and the review of its effectiveness, as standard wording for these areas were not provided by CIPFA. The Head of Audit and Risk Management and the Chief Financial Officer confirmed that they were satisfied with the wording of these sections.

The Chair asked whether Grant Thornton would assist the Council to improve their rating in the next assessment. The Chief Financial Officer confirmed that he would be working closely with Grant Thornton to ensure that the Council's systems were fully implemented and effective.

In response to a question from the Chair regarding the group of core officers working on the AGS and how improvements on the previous year would be made, Ms Woods confirmed that this group remained unchanged from the previous year and would be working to improve performance by reflecting on the issues raised as a result of inspections focusing on governance, and on the action plans proposed in the draft AGS and report.

The Chair asked about the Quality Outcomes Board, its terms of reference and why no reports of its discussions were presented to the Audit Committee. The Chief Financial Officer reported that the Quality Outcomes Board was an advisory board to reflect on issues arising from the JAR, and reported that key issues raised at the board are being communicated to all Members. It was reported that the advice provided by the Quality Outcomes Board would be considered and would then become part of the formal decision making process of the Council, in accordance with its terms of reference.

In response to a question from the Chair regarding the officer code of conduct, Ms Woods confirmed that all staff were required to formally

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 JUNE 2009**

acknowledge receipt of the code of conduct and that a record of this was held by the Council.

The Chair noted that, although the minutes of the previous meeting indicated that confirmation that everyone was aware of the key risks and responsibilities would be included in the AGS, this did not appear in the draft. It was agreed that the draft AGS would be amended to include this confirmation.

The Chair reported that it had been agreed with officers and also agreed at the last Committee meeting that the Audit Committee would receive regular reports on progress with recommendations arising from all reports and inspections carried out on the Council by external organisations. Committee members requested these progress reports be presented to the Committee on a 6-monthly basis, although the Chair strongly recommended that it should be quarterly instead of 6 monthly, because the assessments of the external auditors were largely dependant on the performances of the authority on the remit of those reports.

Referring to the sections on performance management arrangements (4a and 4c), risk management (5a, 5h and 6j) and assurance statements (7a) in the matrix of supporting evidence, the Chair requested that time limits be identified for each stage of these processes to ensure that all necessary actions were carried out. Committee members requested that each audit be reported to the Audit Committee once the appropriate Service had responded, and that the Committee should then receive 6 monthly updates on progress against the audit recommendations. The Committee also requested a 6 monthly progress report on the JAR action plan.

The Chair raised a question as to whether the role of the Head of Audit and Risk Management was aligned to the latest terms of reference of the Committee. It was agreed that the Chief Financial Officer would provide Committee Members with a briefing note on this.

The Committee requested information on the arrangements for the officers' register of interests. Ms Woods reported that the register was held by the Human Resources department, and she would seek clarification regarding the access arrangements to the register and report back to the Committee.

It was agreed that all the observations and suggested amendments arising from the discussion of the draft AGS would be incorporated into the draft.

Taking into account all the observations and concerns of the Committee, on a motion by the Chair it was:

RESOLVED

- i) That, having reviewed the supporting information, the draft

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 JUNE 2009**

	<p>AGS for 2008/09, which will be amended to reflect all the views and concerns of the Committee expressed during the discussion of the draft, be approved.</p> <p>ii) That the approval timescale and process for the draft AGS be noted.</p> <p>Cllr Butcher requested that his objection to the approval of the draft AGS be recorded, as he felt that the draft inadequately addressed the governance shortcomings raised in respect of safeguarding and treasury management during 2008/09.</p>	
<p>PRAC98.</p>	<p>THE REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT</p> <p>The Head of Audit and Risk Management presented a report on the review of the effectiveness of the system of internal audit. It was reported that, in line with the Accounts and Audit Regulations 2006, reciprocal peer group reviews had been established in order to monitor compliance with CIPFA standards and that the group of peers had been expanded this year to include more members across London councils. Ms Woods reported that Haringey had this year assessed and been assessed by the London Borough of Havering.</p> <p>The Committee asked what the outstanding action was under the heading of performance, quality and effectiveness and Ms Woods reported that this was the CIPFA recommendation that service users' assessment of the quality of the internal audit service be obtained. Ms Woods reported that this was in progress; a number of questions had been compiled for sending to senior managers, who would then submit their feedback as a further source of assurance regarding the effectiveness of the service.</p> <p>The Committee asked where the recommendation in the management action plan, "that the Head of Audit and Risk Management should arrange to review the quality, performance and effectiveness of the service as a whole" had arisen from. Ms Woods reported that among the list of 70-80 self-assessment questions set out by CIPFA was one asking whether the service had reviewed the quality and effectiveness of the service as a whole, which had not been completed. The Committee requested a note providing the details of the actions that would be taken to address this issue and how these would be followed up.</p> <p>In response to a question from the Committee regarding Regulation 6, it was confirmed that this did not differ from the existing CIPFA guidance.</p> <p>RESOLVED</p> <p>i) That the findings of the review of the effectiveness of the system of internal audit be noted.</p> <p>ii) That the action plan to address the identified areas for development be approved, and a that note be provided on the</p>	

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 JUNE 2009**

	<p>details of the actions that would be taken to address the issues raised and how these would be followed up.</p>	
<p>PRAC99.</p>	<p>INTERNAL AUDIT SERVICE - TERMS OF REFERENCE</p> <p>The Head of Audit and Risk Management presented a report on the changes to the terms of reference for the Internal Audit Service. In line with CIPFA guidance, the Committee received a report on the Internal Audit service terms of reference for approval on an annual basis. The Committee was advised that the only changes to the terms of reference from the previous year were updated references to the Council's Constitution.</p> <p>RESOLVED</p> <p>That the updated Terms of Reference for the Internal Audit Service be approved.</p>	
<p>PRAC100</p>	<p>ANNUAL AUDIT REPORT AND ASSURANCE STATEMENT 2008/09</p> <p>The Chair reported that he had corresponded with the Chief Financial Officer in advance of the meeting regarding this item, and it had been agreed that the Chief Financial Officer Comments section of the report would be amended to read: "The Chief Financial Officer notes the contents of this report and confirms that the key controls are in place to mitigate risks facing the Council and that they are being appropriately managed under section 151 of the Local Government Act 1972, to provide him with the assurance he has been using the audit, both internal and external, to mitigate risks facing the Council". The Chair noted that both the Council's internal and external auditors advised that they did not have responsibility for the management and monitoring of the Council's internal control systems, but assisted in providing assurance.</p> <p>The Head of Audit and Risk Management presented the annual audit report and assurance statement 2008/09, which formed part of the terms of reference of the Audit Committee and was required under the 2006 CIPFA Code of Practice. The Committee was advised that the form and general content of the report was recommended by CIPFA, but that the detailed assessment was completed by the Council. A summary of internal audit work over the past year was appended to the report.</p> <p>In response to a question from the Committee regarding the lack of information on the outcome of investigations in the report, Ms Woods reported that these were reported to the Committee on a quarterly basis as part of the Internal Audit Progress Report and that a monthly report was also circulated to Members. The Committee asked about the involvement of external agencies in investigations, and Ms Woods reported that cases were in general referred to the Housing Benefits Service by the Department for Work and Pensions, and that Housing Benefits then passed them on to Internal Audit for investigation. Full details were provided in the quarterly reports.</p>	

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 JUNE 2009**

	<p>Concern was expressed that the wording of paragraph 17.2 of the report, referring to other sources of assurance, gave the impression that no issues had been identified as a result of external inspections and it was agreed that this wording would be amended to clarify that this was not the case.</p> <p>It was noted that as a document referring back to the previous year, no new additions could be made to the key areas covered, but for future reports the Chair requested that child protection and safeguarding adults be added to the key areas of corporate governance, as the CAA assessment depended upon these key areas. The Chief Financial Officer noted the request of the Chair, but reported that the key areas listed in paragraph 19.4 of the report were not specific service headings, but areas that related to every service, and so both child protection and safeguarding adults were already included. It was reported that the new Director of the Children and Young People's Service would have examined all the key areas listed in the report, and applied these to all CYPs services, including child protection. The Chair requested that the areas of child protection and safeguarding adults be specifically mentioned in the paragraph on the key areas of corporate governance (paragraph 19.4), as these two areas were of particular importance.</p> <p>The Committee suggested that, if Directors were to report in person to the Audit Committee on a regular basis, Members could ask them for details of how they were addressing the key areas of corporate governance as listed in the report.</p> <p>The Committee suggested that paragraph 19.4 should include a reference to the main areas for action, which were listed in paragraph 19.7 below.</p> <p>RESOLVED</p> <p>That, with the additional wording under the Chief Financial Officer comments and the comments, concerns and observations made by the Committee, the content of the annual audit report and assurance statement for 2008/09 be noted.</p>	
PRAC101	<p>AUDIT COMMITTEE DRAFT WORK PLAN 2009/10</p> <p>The Head of Audit and Risk Management presented a report on the proposed annual work plan for the 2009/10 municipal year. The work plan included the standard quarterly items presented to the Committee, and also incorporated other pieces of work that were already planned during the course of the year. The report demonstrated the link between the work planned and the terms of reference of the Committee.</p> <p>The Chair expressed concern that the plan did not currently include the periodical update on progress with recommendations from all external audits and inspections, as requested by the Committee, and it was agreed that this would be added to the work plan.</p>	

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 JUNE 2009**

The Chair requested that, in addition to the planned work detailed in the work plan, the Committee must be advised by the Chief Financial Officer of any issues arising that the Committee needed to be aware of in the fulfilment of its duties.

Following the discussion earlier in the meeting regarding the draft AGS, it was requested that an update on this item be added to the Committee agenda for the 30 July meeting and added to the work plan.

The Committee requested that a central record should be kept of all the requests and recommendations made by the Audit Committee, giving details of the action requested, the officer responsible for the action and a deadline for completion, as this would facilitate the management and monitoring of actions requested by the Committee. This list should be monitored by the Committee on a quarterly basis to ensure that follow up action was being taken.

The Committee had resolved at a previous meeting that, where audit recommendations had not been implemented within the deadline set, the relevant Heads of Service would be required to attend the Committee meetings to explain the reasons for this. The Committee also discussed the possibility of requiring Heads of Service to attend on regular basis in order to answer questions from Committee members on audit issues such as priority 1 recommendations not being completed on time. Concern was expressed that implementing a regular programme of officers attending the Committee may be beyond the remit of the Audit Committee but it was felt that it would be useful for Members to be able to ask relevant officers questions regarding key areas of governance. It was suggested that, where a significant internal or external inspection report had been completed, the relevant officer should attend the Committee to address the issues raised by the report and also to answer questions from the Committee on other audit and governance arrangements within their Service. It was agreed that, as an update report on Environment was on the agenda for the next meeting, the Director of Urban Environment should attend. This would be in addition to any Heads of Service attending the Committee.

The Committee raised the issue of it not being possible for the Committee to approve the revised version of the AGS prior to submission due to the dates of the meetings. It was agreed that in future the dates would be arranged to ensure that the Committee could see the draft a second time to ensure that all the Committee's comments had been taken on board. A member of the Committee also raised an issue relating to the decisions made at the previous meeting, in response to which the Chair replied that he usually monitored the outcome of the decisions made, with the Chief Financial Officer.

RESOLVED

- i) That, with the additions and comments of the Committee members, the annual work plan for 2009/10 be approved.

**MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 2 JUNE 2009**

	<p>ii) That a central record should be kept of all the requests and recommendations made by the Audit Committee, giving details of the action requested, the officer responsible for the action and a deadline for completion.</p> <p>iii) Six monthly updates of the progress of all audits by various Audit agencies, including Ofsted, Social Service Audit, Care Quality Commission Inspection Reports, Health Care Commission and others be included in the work plan.</p>	
PRAC102	NEW ITEMS OF URGENT BUSINESS There were no new items of urgent business.	
PRAC103	DATE OF NEXT MEETING Thursday, 30 July 2009 at 7.30pm. The meeting closed at 21:20hrs.	

COUNCILLOR GMMH RAHMAN KHAN
Chair