



Haringey Council

Agenda item:

[No.]

Audit Committee

On 30 July 2009

Report Title: **Report on the work of the Audit Committee 2008/09**

Report authorised by: **Chief Financial Officer**

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

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Wards(s) affected: **All**

Report for: **Non-key decision**

1. Purpose of the report

1.1 To advise the Audit Committee of the proposed report to Full Council in respect of the work undertaken by the Audit Committee during 2008/09.

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

2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by reviewing key services and making recommendations for improvement where appropriate. Follow up work is undertaken to ensure that managers implement agreed recommendations and improvements.

2.2 Internal audit forms a key element within the revised Use of Resources assessment and will continue to be part of the CAA from 2009 onwards. The reports to both managers and the Audit Committee on progress against the agreed audit plan and the implementation of audit recommendations ensure that the requirements of the CAA assessment are fulfilled.

2.3 External audit is also a key part of the overall governance and control framework and their work to the Audit Committee gives further independent assurance and reporting.

3. Recommendations

3.1 That the Audit Committee approves the draft report on the work of the Committee during 2008/09.

3.2 That the final version of the report is presented to the next available Full Council

meeting for information.

4. Reason for recommendation(s)

4.1 The Audit Committee Terms of Reference require it to report the work it has undertaken to full Council. In order to facilitate this, a draft report is provided for review and consideration by the Audit Committee.

5. Other options considered

5.1 Not applicable

6. Summary

6.1 The Audit Committee has responsibility for audit, governance and risk management across the Council. Regular reports are presented to the Audit Committee and additional work is requested during the year to ensure that the Audit Committee fulfils its responsibilities.

6.2 This report looks at the work undertaken by the Audit Committee during 2008/09. The details within the report have been compiled from the agendas, reports and minutes of the Audit Committee during the 2008/09 municipal year.

7. Head of Legal Services Comments

7.1 The Head of Legal Services has been consulted in the preparation of this report, and advises that no specific legal issues arise out of the contents.

8. Chief Financial Officer Comments

8.1 The Chief Financial Officer has no additional comments to add.

9. Head of Procurement Comments

9.1 Not applicable

10. Equalities and Community Cohesion Comments

10.1 This report deals with the work of the Audit Committee during 2008/09 which includes any recommendations made to improve governance and service delivery across all areas of the council, which have an impact on various parts of the community. Improvements in managing risks and controls will therefore improve services the Council provides to all sections of the community.

11. Consultation

11.1 No external consultation was required or undertaken in the production of this report. Consultation is undertaken with the Audit Committee to review and approve the final version of the report in accordance with the committee's agreed terms of reference.

12. Service Financial Comments

12.1 There are no direct financial implications arising from this report. The work undertaken to produce the report is contained and managed within the Audit and Risk Management revenue budget.

13. Use of appendices

13.1 Appendix A – Annual report to Full Council

14. Local Government (Access to Information) Act 1985

14.1 Audit Committee Agendas and Minutes 2008/09.

5. Introduction

5.1 Haringey Council's Audit Committee has been established for a number of years, in accordance with best practice, with agreed Terms of Reference which match CIPFA guidance. In fulfilling its Terms of Reference the Audit Committee produces an annual report of the work it has completed during the year which is submitted to a meeting of the Full Council for information.

6. Reporting Process

- 6.1 Members requested that a draft version of the Committee's annual report be presented to the Audit Committee to ensure that all Members had the opportunity to review and provide input to the report.
- 6.2 The draft annual report of the Audit Committee is attached as Appendix A to this report. The draft report has been compiled using the agreed agendas, reports and minutes of the 2008/09 municipal year. During this year, the Audit Committee met on five occasions: 24 June, 22 July, and 28 October 2008; 3 February and 23 April 2009.
- 6.3 Agreed recommendations and Member comments, where appropriate, have been included to reflect the outcome of the meetings. The report is structured against headings which reflect the Audit Committee's agreed terms of reference, rather than chronological order of committee meetings in order to prevent repetition and duplication.

1. Background

- 1.1 The Terms of Reference of the Audit Committee require it to maintain an overview of the Council's arrangements for corporate governance and the regulatory framework; internal control; risk management; and internal and external audit. This report has been produced to advise Full Council of the matters considered by the Audit Committee at its meetings during the municipal year 2008/09, in fulfilment of its Terms of Reference. It is presented to Full Council for information.
- 1.2 The Audit Committee is required to meet at least four times per year in accordance with the Council's reporting and financial cycles. During 2008/09, the Committee has met on five occasions and each meeting was quorate. Members' attendance is recorded in Appendix B attached to this report.
- 1.3 CIPFA best practice guidance recommends that the Council's Section 151 Officer (or his deputy) and Head of Audit and Risk Management should attend each meeting, with other Chief and Senior Officers attending as required. The Council's external auditors, Grant Thornton, also attended all meetings of the Committee during 2008/09. Actual attendances are recorded in Appendix B to this report.

2. Summary

- 2.1 The Audit Committee takes its responsibilities very seriously and considers its role in enhancing the Council's internal control environment to be significant in assisting the Council achieve the highest possible rating as part of the Comprehensive Performance Assessment (CPA) process. During 2008/09, key achievements for the Committee were:
- Contributing to the CPA process and assisting the Council achieve a score of 3 out of 4 for Internal Control, including an improved score for risk management arrangements, as part of the Use of Resources assessment;
 - Providing input into to the Internal Audit function thorough review and approval of the annual audit plan and quarterly review process, including monitoring implementation of audit recommendations as part of the formal follow up reporting process;
 - Reviewing and approving the Council's internal audit strategy; and
 - Contributing to and approving the Council's Annual Governance Statement.
- 2.2 The purpose of the 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. Over the last year the Audit Committee has fulfilled its purpose and terms of reference and presented a challenge in relation to the Council's system of internal control and financial reporting arrangements. Over the next 12 months it is intended that the proposed developments will continue to enhance and develop the Committee's role and provide an effective challenge to all areas of the Council.

2.3 The following sections describe the work of the Audit Committee in relation to the key tasks identified within the committee's agreed Terms of Reference which were in effect during 2008/09. The Audit Committee agrees and maintains a work programme for its main areas of activity. The reports received during the 2008/09 municipal year are shown at Appendix C.

3. Corporate Governance and regulatory framework

3.1 The core functions of the Audit Committee in this area are:

- To maintain an overview of the Council's Constitution in respect of finance and contract procedure rules and codes of conduct and behaviour.
- To maintain an overview of the Council's arrangements for Corporate Governance and agreeing necessary actions to enable the authority to implement best practice as set out in statutory and other guidance.
- To receive and recommend for adoption the Council's Statement on Internal Control (now Annual Governance Statement).
- To monitor council policies on 'Whistleblowing' and Anti-fraud and Corruption.
- To review any issue referred to it by the Chief Executive, a Director, or any Council body.
- To consider the Council's compliance with its own and other published standards and controls.

3.2 During the 2008/09 municipal year, the Audit Committee has:

- Received reports on a quarterly basis on compliance with the Council's finance and contract procedure rules as part of the annual programme of internal audit work
- Received reports on a quarterly basis on counter-fraud activity relating to Housing Benefit and Council Tax benefit
- Received and approved the revised and updated Council policies for Whistleblowing, Anti-fraud and Corruption, and Fraud Response Plan
- Received and approved the anti-fraud and corruption strategy relating to Housing Benefit and Council tax Benefit fraud
- Received and approved the revised and updated Council anti-money laundering policy
- Received a report on the implementation and use of the Regulation of Investigatory Powers (RIPA) Act 2000 across the Council
- Received a report from the Office of the Surveillance Commissioner detailing their findings following an inspection of the Council's use and applications of RIPA

4. Risk Management

4.1 The core functions of the Audit Committee in this area are:

- To approve the Council's Risk Management Policy and receive regular reports on compliance with the policy across the authority.
- To review the effectiveness of systems for the assessment and management of material areas of risk within Haringey and monitor their maintenance and development in accordance with the Risk Management Policy.

4.2 During the 2008/09 municipal year, the Audit Committee has:

- Received and approved the revised and updated Risk Management Policy and Strategy
- Received reports on a quarterly basis on implementation of the Council's risk management strategy
- Received and reviewed the Council's corporate risk register on an annual basis

5. Audit activity

5.1 **Internal Audit.** The core functions of the Audit Committee in this area are:

- To consider the Head of Audit and Risk Management's annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- To consider and approve the Council's Annual Internal Audit Plan and ensure that it is consistent with the scope of the audit engagement or service delivery arrangements.
- To consider reports dealing with the management and performance of the Council's providers of Internal Audit Services.
- To consider quarterly reports in respect of internal audit activity including ethical oversight issues and any major findings arising from internal audit reviews and ensure that appropriate corrective action has been taken.
- To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
- To approve any significant changes to the strategic or annual audit plan as requested by officers
- To receive reports from the Head of Audit and Risk Management on appropriate matters

5.2 During the 2008/09 municipal year, the Audit Committee has:

- Received the Head of Audit's annual report and assurance statement for 2007/08, including a summary of internal audit activity
- Received and approved the Council's 2008/09 annual internal audit plan and internal audit strategy
- Received quarterly reports detailing internal audit activity of the Council's internal audit service provider (Deloitte and Touche), and the in-house audit team, including details of agreed performance management indicators
- Received quarterly reports on implementation of all recommendations made internal audit
- Received a report on the internal audit of governance arrangements at Alexandra Palace and Park (APP Trust and APTL Company)
- Received and approved the Terms of Reference for Internal Audit
- Received and approved revised reporting formats and approach for internal audit activity

5.3 **External Audit.** The core functions of the Audit Committee in this area are:

- To receive and note the Annual Audit Plan from the external auditor.
- To receive the Annual Audit Letter from the external auditor and make any appropriate recommendations to the Council or The Executive in respect of these matters.
- To receive quarterly and annual reports in respect of external audit activity including ethical oversight issues.

- To question officers and Executive Members on the above matters
- To make any appropriate recommendations to full Council or The Executive in respect of these matters.
- To commission work from Internal and External Audit.
- To liaise with the Audit Commission over the appointment of the Council's external auditor.

5.4 During the 2008/09 municipal year, the Audit Committee has:

- Received and considered the 2008/09 external audit and inspection plan
- Received quarterly reports providing updates on key external audit issues and progress against the agreed 2008/09 external audit plan
- Received the external auditor's report detailing the outcome of their review of Health Inequalities in Haringey, covering the Council, Primary Care Trust and the Haringey Strategic Partnership.
- Received a follow up report in respect of progress against the agreed action plan for the Health Inequalities review.
- Received a report detailing the external auditor's report in respect of the Comprehensive Performance Assessment – Use of Resources for 2008.
- Received the external auditor's report on the outcomes of the annual grant work
- Received the external auditor's report following their review of probity and propriety arrangements within the Council.
- Received a report detailing the audit and inspection fees for 2009/10.

6. Accounts

6.1 The core functions of the Audit Committee in this area are:

- To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

6.2 During the 2008/09 municipal year, the Audit Committee has:

- Received a report detailing the accounting policies and 2007/08 annual statement of accounts
- Received a report detailing the outcome of the annual audit of the 2007/08 statement of accounts, reporting an unqualified audit opinion.
- Received a report detailing the accounting policies for the 2008/09 statement of accounts
- Received a presentation on the new International Financial Reporting Standards (IFRS) and the Council's proposed preparation work over the next two years

7. Other issues

7.1 During the 2008/09 municipal year, The Audit Committee also:

- Received and approved the Audit Committee 2008/09 work plan

- Received and approved a report on the work of the Audit Committee for the 2007/08 municipal year
- Received a report on the results of the CIPFA benchmarking exercise for internal audit in 2008/09
- Agreed to receive progress reports from 2009/10 onwards on action plans from external inspections

Appendix B

Member/Officer attendance at Audit Committee Meetings 2008/09

Member/Officer	24 June 2008	22 July 2008	28 October 2008	3 February 2009	23 April 2009
Members					
Cllr Khan (Chair)	√	√	√	√	√
Cllr Mallett (Vice-chair)	√	√	√	√	√
Cllr Diakides	√	√	√	√	√
Cllr Bull	√	√	√	√	A
Cllr Gorrie	A	A	√	√	√
Cllr Davies	A	√	√	A	√
Cllr Mughal	√	-	A	-	A
Other Member attendances					
Cllr Wilson	√	N/A	N/A	N/A	N/A
Cllr Adje	N/A	√	N/A	N/A	√
Officers					
Chief Financial Officer	√	√	√	√	√
Head of Audit & Risk Management	√	√	√	√	√
Head of Corporate Finance	√	√	√	√	√
Deputy Head of Benefits & Local Taxation	-	√	√	√	√
External Auditor (Grant Thornton)	√	√	√	√	√
Head of Finance – Accounting & Control	√	-	√	-	√
Joint Director of Public Health	√	-	-	-	-
Acting Head of Benefits & Local Taxation	√	-	-	-	-

Notes/key

√ = attended

A = apologies for absence recorded

N/A = not a member

Audit Committee Activity 2008/09

Function/Issue	24 June 2008	22 July 2008	28 October 2008	3 February 2009	23 April 2009
Corporate Governance and regulatory framework					
Whistleblowing Policy, Anti-fraud and corruption Policy, Fraud response Plan		Approved			
Housing Benefit and council tax benefit counter fraud progress report		Noted	Noted	Noted	Noted
Housing Benefit and council tax benefit anti-fraud strategy		Approved			
Anti-money laundering policy		Agreed			
Implementation and use of RIPA		Noted			
Office of Surveillance Commissioner's inspection report and action plan					Approved
Risk Management					
Risk Management Policy and Strategy					Approved
Corporate Risk Register					Agreed
Risk Management Progress		Noted		Noted	Noted
Audit Activity – Internal audit					
Internal audit strategy & plan 2008/09					Approved
Annual internal audit report	Noted & referred to full Council				
Progress report 2008/09		Noted	Approved	Noted	Noted
Internal audit terms of reference	Approved				
Internal audit reporting	Approved				

Function/Issue	24 June 2008	22 July 2008	28 October 2008	3 February 2009	23 April 2009
arrangements					
Review of governance arrangements at Alexandra Palace			Approved		
Audit Activity – External audit					
Audit and inspection plan 2008/09	Noted				
Progress report 2008/09		Noted	Noted	Noted	
Health Inequalities report	Noted				
Health Inequalities update report and action plan			Noted		
Probity and Propriety Report				Agreed	
CPA Use of Resources report				Noted	
Annual grant work				Agreed	
Audit and inspection fees 2009/10					Approved
Accounts					
Statement of accounts 2007/08 and accounting policies		Agreed			
Outcome of the 2007/08 external audit and action plan			Agreed		
Accounting policies 2008/09					Approved
Presentation on IFRS					Noted
Other issues					
Committee work programme 2008/09	Approved				
Internal audit benchmarking report			Noted		
National Fraud Initiative			Noted		
Annual report on Audit Committee work		Approved and referred to full Council			