

# 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 recur 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**