

Chair:
Councillor Gmmh Rahman Khan

INTRODUCTION

- 1.1 This report covers matters considered by the Audit Committee at its three meetings held so far during the municipal year 2005/6 and is presented to Full Council for information.
- 1.2 The Committee in its normal quarterly meeting receives reports, as outlined the terms of reference approved by the last Annual General Meeting of this Council.
- 1.3 We trust that this report will be useful for councillors to evaluate the role of the Audit Committee, in the task of monitoring corporate governance and examining internal and external Audit Reports.

ITEMS OF REPORT AND DECISION

2. ANNUAL AUDIT AND INSPECTION LETTER AND COUNCIL RESPONSE

- 2.1 The Committee received the Annual Audit and Inspection Letter from the Audit Commission.
- 2.2 Prior to receiving the letter, we had also received updates from representatives of the Audit Commission as to their progress against their Annual Audit and Inspection Plan.
- 2.3 We also considered a report which set out proposals for responding to the issues raised in the Letter.
- 2.4 We noted that the Council had worked positively with District Audit and the Audit Commission during the last year. The good progress made by the Council had been recognised in the improved overall CPA score in December 2005, with the Council moving to up to 3 'stars' (good), and in the positive Direction of Travel statement and the Annual Audit and Inspection Letter. The Direction of Travel Statement judgement stated that the Council was 'improving well' and recognised that there had been 'particular positive outcomes in services for children and young people and for vulnerable adults'.
- 2.5 It also stated that nearly 75% of indicators had been maintained or improved, and similarly that user satisfaction was also improving. The challenge for the Council would be to maintain the higher levels of performance in some services whilst improving other services where performance was less consistent. There was recognition that the Council targeted resources to its priorities and that business planning, financial governance and performance management had improved since 2004. It is also stated that arrangements were in place to strengthen information, communication and technology, procurement and commissioning. A key challenge for the Council was in respect of value for money where it was noted that we had adequate arrangements for managing and improving value for money and that we needed to demonstrate that high spend was commensurate with the delivery of high quality services.

2.6 In the area of accounts and governance the comments were generally positive and this was reflected in the 3 out of 4 for the Use of Resources CPA score. Specific comments were as follows

- Audit of the 2004/05 accounts: the accounts were approved in advance of the statutory deadline, were well prepared with good supporting working papers and were subject to robust Member review. The Council took action to resolve the accounting treatment in respect of the Alexandra Palace long term debt. The auditor's opinion remained qualified in 2004/05 (because the 2003/04 comparative figures were not revised), however it meant that the qualification would be removed in 2005/06;
- Financial standing: the Council's financial position remained sound, it had taken steps in recent years to provide a strong platform for financial management and improvements were being demonstrated in the collection of debt;
- Systems of internal financial control: the Council had a generally sound framework for managing internal financial control and had developed its risk management processes although these were not yet fully embedded, the Technical Refresh project being an example of this; and,
- Standards of financial conduct and the prevention and detection of fraud and corruption, and the legality of transactions; the Council had sound arrangements in these areas.

2.7 The key messages from the Audit and Inspection letter were set out in the report of the Executive to Council of 6th February, together with the Council's response and proposed actions from our colleagues on the Executive which we concurred with:

2.8 While agreeing the response and recommended actions above we would like to mention that we were concerned when examining the headline of the report, as to whether it happened due to a failure of Council's corporate governance arrangements and whether the structure in operation for financial management was effective or not. We will be receiving the full version of the Tech Refresh report at the next meeting of Audit Committee.

2.9 In addition to the other recommendations made by our colleagues on the Executive,

WE RECOMMEND:

A) That the Council ensure that the agreed action plan between the Council and the Audit Commission on the Tech Refresh report is regularly reported to the appropriate Council committee.

B) To investigate zero-based budgeting, as a budgetary approach for future years, to ensure value for money in expenditure on the Council's services.

3. INTERNAL AUDIT ACTIVITY

- 3.1 We received regular reports from officers as to Internal Audit Activities and to the progress against the plan, which the Committee noted.
- 3.2 It was brought to our attention that our auditors, Deloitte & Touche, had encountered difficulties in gaining access to audit Haringey Teenage Intervention Service. The Committee requests that Social Services and all other relevant departments to do all that is necessary to remove difficulties that have hindered the activities of our auditors.
- 3.3 Internal audit complete follow up reviews on all work and report where recommendations have not been implemented. Executive Members, through relevant Directors, were requested to take necessary action to ensure all recommendations were appropriately addressed. 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.
- 3.4 We recommend that proper procedures be followed for the drawing of staff allowances.
- 3.5 We were concerned that there were no formal procedures for writing off irrecoverable debts for NNDR, housing rent, council tax and other such debts. We recommend that the services responsible for these matters formulate a formal procedure to write off those debts that are considered irrecoverable.
- 3.6 We noted the various investigations into financial irregularity which were brought to our attention and recommended that service managers and internal audit expedite these to a conclusion as soon as possible, within the prescribed procedures.
- 3.7 We were informed that a system for whistle-blowing exists and would like to bring it to the attention of Members and others that reports of alleged irregularities can be made to Internal Audit by email. The relevant email address is fraudcall@haringey.gov.uk.

4. COUNTER-FRAUD ACTIVITY RELATING TO HOUSING AND COUNCIL TAX BENEFIT

- 4.1 We received quarterly reports from the Benefits and Local Taxation section relating to counter-fraud activity that was being undertaking relating to claims for housing and council tax benefit.
- 4.2 We were informed, in January, that the year to date figures were that 57 sanctions had been imposed for benefit fraud. We congratulated officers on their achievements in these cases.
- 4.3 The rate at which fraudulent overpayments are recovered is slow. This is a matter of concern for Members, but the reason why recovering is slow is because many people who have to repay sums paid out are in receipt of income support or are otherwise on a low income. This reduces the amount that can be recovered from them to just a few pounds per week.

- 4.5 The Audit Committee requested further information and comparative statistics from other authorities in relation to overpayments in order to gain a better understanding of the information and situation.
- 4.4 We heard about the “Pathfinder” initiative which is a pilot programme. The pilot has achieved impressive results and 24 convictions were obtained in the first two quarters of the financial year. Officers are investigating the feasibility of extending this scheme.

5. RISK MANAGEMENT AND CORPORATE RISK REGISTER

- 5.1 We received a report on the Risk Management Strategy and the compilation of a Corporate Risk Register at our October meeting.
- 5.2 Risks were classified into 3 classes based on both the probability of them occurring and the potential losses that may take place if they did occur. This enabled the creation of a risk matrix to assess all of the risks in the risk register on a systematic basis.
- 5.3 The Audit Committee put on record, in its July meeting,, that we wanted to see that there should not be any problem area, financed by the Council, which did not have a risk register.
- 5.4 Risks in the lowest category of the risk matrix were deemed to be acceptable risks, but corrective action was required for risks that fell into the two higher categories, for they dealt with larger potential losses or losses that had a higher probability of occurring.
- 5.5 We were of the opinion that the Director of Finance should be involved in the process of dealing with risks that fell either into the medium or higher category and asked that the risk management strategy be changed to reflect this recommendation.
- 5.6 We wished that ‘proper practice’, which was planned to be identified and issued as guidance by the Audit Commission or could be obtained by looking at the best practice followed by other London boroughs, was implemented by officers of this Council.
- 5.7 Job descriptions for relevant managers are to be revised to include risk management responsibilities. We asked that this process be expedited.
- 5.8 We expressed concerns with regard to risk management in relation to partnerships as mentioned in the report and as such the Audit Committee felt that effective partnerships should be established, which safeguarded the adequate interests of this Council.
- 5.9 We asked that adequate internal and external training should be given to the members of this Committee to perform duties adequately.

6. CPA USE OF RESOURCES ASSESSMENT AND ACTION PLAN

- 6.1 We received reports relating to the CPA Use of Resources assessment and to the Council’s Action Plan that followed on from the feedback from the CPA.

- 6.2 We agreed the suggestions made in the action plan and hope that this can help the authority improve its CPA score in future years as well.
- 6.3 We requested that the recommendations made by the Audit Committee in relation to the Risk Management Strategy be incorporated into the CPA action plan in order to ensure that the Council was best placed to achieve the highest rating as part of the Use of Resources.
- 6.4 We additionally recommended that improvement of guidance to budget holders take place before 31 November 2006, that a timescale be set for action by Asset Management on 'backlog maintenance', that effective partnerships with other agencies be entered into if they do not already exist. We also considered that an effective procedure needed to be introduced for reporting the exercise of delegated powers.
- 6.5 We are also of the opinion that fees and charges levied by the Council need to be reviewed strategically. This will enable the authority to boost its income if that is felt to be appropriate in that circumstance.

7. STATEMENT ON INTERNAL CONTROL

- 7.1 We received the draft Statement on Internal Control, which the Audit Committee is required to review and approve prior to its inclusion in the Council's financial statements. The Audit Committee made recommendations to include the Technical Refresh project within the draft statement and subsequently approved the revised Statement.

CONCLUSION

- 7.1 We recommend that this report on the activities of Audit Committee be noted by Full Council.