

REPORT OF THE AUDIT COMMITTEE 2009-10
FULL COUNCIL, 18 OCTOBER 2010

Chair:
Councillor Gmmh Rahman Khan

Vice-Chair:
Councillor Kaushika Amin

INTRODUCTION

- 1.1 This report covers matters considered by the Audit Committee during the municipal year 2009/10.

2. Background

- 2.1 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; internal audit; external audit; and the accounts. This report has been produced to advise Full Council of the matters considered by the Audit Committee at its meetings during the municipal year 2009/10, in fulfilment of its Terms of Reference. It is presented to Full Council for information.
- 2.2 The Audit Committee is required to meet at least four times per year in accordance with the Council's reporting and financial cycles. During 2009/10, the Committee has met on five occasions and each meeting was quorate. Members' attendance is recorded in Appendix A attached to this report.
- 2.3 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 2009/10. Appendix A identifies all the Council officers who attended the respective committee meetings during 2009/10.

3.. Summary

- 3.1 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 to achieve the highest possible rating as part of the previous Comprehensive Performance Assessment (CPA) process. During 2009/10, key achievements for the Committee were:
- Contributing to the CAA assessment for 2008/09 and assisting the Council achieve a score of 3 out of 4 for Internal Control, as part of the Use of Resources assessment;
 - Providing input into the Internal Audit function thorough review and approval of the annual audit plan and quarterly review process. This included monitoring implementation of audit recommendations as part of the formal follow up reporting process, resulting in 95% of all high priority recommendations being fully implemented at the time of the follow up audit;
 - Reviewing the Council's responses to external inspections in a number of key areas and providing independent challenge to the agreed action plans; and
 - Contributing to and approving the Council's Annual Governance Statement for 2008/09.

- 3.2 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.
- 3.3 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 2009/10. The Audit Committee agrees and maintains a work programme for its main areas of activity. The reports received during the 2009/10 municipal year are shown at Appendix B.

4. Corporate Governance and regulatory framework

4.1 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.

4.2 During the 2009/10 municipal year, the Audit Committee:

- Reviewed and approved the Council's draft Annual Governance Statement, recommending changes be made to the draft statement to reflect members' concerns in relation to safeguarding and treasury management governance issues and approved the final version
- 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 revised and updated Council anti-money laundering policy and approved its inclusion with the existing corporate anti-fraud policies
- Received a report on the implementation and use of the Council's Whistleblowing Policy across the Council

5. Risk Management

5.1 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.

5.2 During the 2009/10 municipal year, the Audit Committee:

- Received and approved the revised and updated Risk Management Policy and Strategy
- Received reports on a quarterly basis on compliance with the Council's risk management strategy

6. Audit activity

6.1 **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

6.2 During the 2009/10 municipal year, the Audit Committee:

- Received the Head of Audit and Risk Management's annual report and assurance statement for 2008/09, including a summary of internal audit activity
- Received a report on the independent assessment of the effectiveness of the system of internal audit and approved the action plan to address the one recommendation made to ensure full compliance with the CIPFA Code of Practice
- Received and approved the 2010/11 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 by internal audit and approved the actions taken by managers to implement outstanding recommendations. The Audit Committee resolved to continue its

focus on ensuring that all agreed audit recommendations were implemented during 2010/11.

- Received a report on the follow up audit of governance arrangements at Alexandra Palace and Park (APP Trust and APTL Company)

6.3 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.

6.4 During the 2009/10 municipal year, the Audit Committee:

- Received the Annual Audit and Inspection Letter 2008/09 and recommended the action plan to reduce teenage pregnancy be included in the Council's response to the Audit and Inspection Letter
- Received the External Audit Strategy Document for year ending 31 March 2009
- Received and considered the 2009/10 external audit and inspection plan and requested further information to substantiate the additional work undertaken which resulted in an increased external audit fee
- Received quarterly reports providing updates on key external audit issues and progress against the agreed external audit plan
- Received a follow up report in respect of progress against the agreed action plan for the Health Inequalities in Haringey review, covering the Council, Primary Care Trust and the Haringey Strategic Partnership and requested the Joint Director of Public Health provide an explanation to a subsequent meeting of progress made against the agreed action plan. The subsequent report by the Acting Joint Director of Public Health provided progress updates against the action plan, in light of the pressures experienced in responding to the Flu pandemic during 2009/10, was noted
- Received a report detailing the external auditor's report in respect of the Comprehensive Performance Assessment (Use of Resources) for 2008/09 and requested further reports be provided on progress to address the identified issues with data quality
- Received the external auditor's grant claims and returns planning memorandum for 2008/09
- Received the external auditor's report on the outcomes of the annual grant work 2008/09 and requested that progress against the agreed action plan be reported during 2010/11
- Received the external auditor's report following their review of information technology controls

- Received the external auditor's report on Leaseholder service charges and requested that officers provide a response and an agreed action plan to the next meeting of the committee.

7. Accounts

7.1 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.

7.2 During the 2009/10 municipal year, the Audit Committee:

- Received a report detailing the outcome of the annual audit of the 2008/09 statement of accounts, reporting an unqualified audit opinion and requested officers provide update reports on progress against the agreed action plan
- Received a progress report on the implementation of the new International Financial Reporting Standards (IFRS) and the Council's actions to meet the required deadlines

8. Other issues

8.1 During the 2009/10 municipal year, The Audit Committee also:

- Received and approved the Audit Committee 2009/10 work plan and implemented a monitoring system to ensure that all requests and recommendations made by the Committee were appropriately addressed
- Received and approved a report on the work of the Audit Committee in 2008/09, recommending that the implementation of recommendations arising out of the internal audit report of governance arrangements at Alexandra Palace and Park be given a final deadline, and presented this to Full Council
- Received a report on the review of the effectiveness of the Audit Committee and recommended: increasing the number of Audit Committee meetings held during the year; increasing the opportunity for members to meet with the Head of Audit and Risk Management; producing a clear timetable and agenda for the Audit Committee meetings; and undertaking the assessment on an annual basis from 2009/10
- Received a report on the Council's participation in the statutory national data matching exercise, the National Fraud Initiative, and its progress in reviewing data matches
- Received a report on the Council's Treasury Management Strategy Statement (TMSS) and Investment Strategy 2010/11 to 2012/13 in order to comply with the revised CIPFA Code of Practice. Members highlighted the need for caution in considering any investments in foreign banks and requested that they receive appropriate training in order to fulfil their new responsibilities in this area
- Received a report on the results of the CIPFA benchmarking exercise for internal audit in 2009/10

- Received update reports on the implementation of external inspection recommendations for:
 - External Inspection report – Housing Service. The progress on implementation of recommendations was noted
 - JAR action plan. Concern was noted in respect of the performance indicators on the safeguarding plan and further explanations on the limited progress were presented by the respective Cabinet Member at the Committee's next meeting. The subsequent report by the Cabinet Member which highlighted the good progress in improving safeguarding and delivery of key milestones was noted by the Audit Committee
 - Data quality. The progress against the agreed action plan was noted, but Members requested further reports in respect of Children's Services and Housing Benefits be presented to the next Committee meeting. The subsequent report was noted, although Members expressed concerns in relation to the accuracy and assessment of data and requested that the Chief Executive be asked to ensure that a culture of reviewing data and ensuring safeguarding be embedded across the authority.

9. Recommendations

- 9.1 That this report is received by Full Council for Information.

Member/Officer attendance at Audit Committee Meetings 2009/10

Member/Officer	2 June 2009	30 July 2009	5 November 2009	1 February 2010	25 March 2010
Members					
Cllr Khan (Chair)	√	√	√	√	√
Cllr Mallett (Vice-Chair)	√	√	√	A	A
Cllr Diakides	√	√	√	√	√
Cllr Meehan	√	√	√	√	√
Cllr Gorrie	A	A	√	A	A
Cllr Butcher	√	√	√	√	A
Cllr Mughal	A	A	A	A	A
Cllr Dobbie	N/A	√	√	√	√
Other Member attendances:					
Cllr Winskill		S			
Cllr Scott		S			
Cllr Demirci				S	
Cllr Santry					S
Cllr Aitken					S
Cllr Reith					√
Officers					
Chief Financial Officer (CFO)	√	√	√	√	A
Interim CFO	-	-	-	-	√
Head of Audit & Risk Management	√	√	√	√	A
Head of Corporate Finance	-	√	√	√	√
Deputy Head of Benefits & Local Taxation (BLT)	-	√	√	-	-
External Auditor (Grant Thornton)	√	√	√	√	√
Head of Finance – Accounting & Control	-	-	-	√	-
Acting Head of BLT	-	-	-	√	√
Director Of CYPS	-	-	-	-	√
JAR Programme Manager	-	-	-	√	-
Acting Joint Director of Public Health	-	-	-	-	√
Assistant Chief Executive (PPP&C)	-	-	-	√	√
Assistant Director Strategic & Community Housing	-	√	-	-	-

Notes/key to symbols:

√ = attended the meeting

A = apologies for absence recorded

S = Substituting for Audit Committee member

N/A = not a member of the Audit Committee at the time of the meeting

Audit Committee Activity and Reports Received 2009/10

Function/Issue	2 June 2009	30 July 2009	5 November 2009	1 February 2010	25 March 2010
Corporate Governance and regulatory framework					
Draft Annual Governance Statement 2008/09	Approved	Noted			
Whistleblowing Policy – implementation and use		Noted			
Housing Benefit and council tax benefit counter fraud progress report			Noted	Noted	Noted
Anti-fraud and Corruption Policy & Strategy			Approved		
Anti-money laundering policy				Deferred	Approved
Risk Management					
Risk Management Policy and Strategy				Deferred	Approved
Risk Management update report		Noted	Noted	Deferred	Noted
Audit Activity – Internal audit					
Review of effectiveness of Internal Audit	Approved				
Internal audit terms of reference	Approved				
Annual internal audit report & assurance statement	Noted				
Progress report 2009/10		Noted	Noted	Noted	
Governance arrangements at Alexandra Palace – follow up report			Agreed		
Internal audit strategy & plan 2010/11					Approved

Function/Issue	2 June 2009	30 July 2009	5 November 2009	1 February 2010	25 March 2010
Audit Activity – External audit					
Progress report	Noted	Noted	Noted	Noted	Noted
External audit strategy 2009		Noted			
Grant Claims and returns planning memorandum 2008/09		Noted			
Report on IT controls		Noted			
Audit and inspection letter 2008/09		Noted			Noted
CAA Use of Resources report			Noted		
Grants report 2008/09				Agreed	
External audit plan 2009/10				Approved	
Tackling Health Inequalities – follow up					Noted
Leaseholder charges					Noted with request for further report
Accounts					
Audit of accounts 2008/09			Agreed		
Implementation of IFRS progress report				Noted	
Other issues					
Committee work programme 2009/10	Approved				
External Inspection report (Housing) progress report		Noted			
Annual report on Audit Committee work		Approved and referred to Full Council			
National Fraud Initiative			Noted		
Review of the effectiveness of the Audit Committee				Noted and agreed	
Internal audit benchmarking report				Noted	

Function/Issue	2 June 2009	30 July 2009	5 November 2009	1 February 2010	25 March 2010
Treasury Management Strategy Statement & Investment Strategy				Noted	
Data Quality update report				Noted with request for further report	Noted
JAR Action Plan update report				Noted with request for further report and Cabinet Member attendance	Noted