

**MINUTES OF THE AUDIT COMMITTEE  
THURSDAY, 3 FEBRUARY 2011**

Councillors Khan (Chair), Amin (Vice-Chair), Diakides, Meehan, Bloch and Gorrie

<b>MINUTE NO.</b>	<b>SUBJECT/DECISION</b>	<b>ACTION BY</b>
<b>PRAC61.</b>	<p><b>APOLOGIES</b></p> <p>There were no apologies for absence. Cllr Bloch apologised in advance that he would be required to leave the meeting at 20:45hrs.</p>	
<b>PRAC62.</b>	<p><b>URGENT BUSINESS</b></p> <p>There were no new items of urgent business.</p>	
<b>PRAC63.</b>	<p><b>DECLARATIONS OF INTEREST</b></p> <p>There were no declarations of interest.</p>	
<b>PRAC64.</b>	<p><b>MINUTES</b></p> <p><b>RESOLVED</b></p> <p>That the minutes of the meeting of the Audit Committee held on 2 November 2010 be approved and signed by the Chair.</p>	
<b>PRAC65.</b>	<p><b>DEPUTATIONS AND PETITIONS</b></p> <p>There were no deputations or petitions.</p>	
<b>PRAC66.</b>	<p><b>HOUSING ALLOCATIONS, LETTINGS AND HOMELESSNESS SERVICES RE-INSPECTION - UPDATE</b></p> <p>Phil Harris, Assistant Director of Strategic and Community Housing, presented the report on the Audit Commission's re-inspection of the Council's Housing Allocations, Lettings and Homelessness services, which included the full Audit Commission report and action plan as requested by the Committee at its previous meeting. As context for the report, Mr Harris advised that of the many of the Audit Commission inspections undertaken in the previous two and a half years, the rating of one-star (fair) with excellent prospects for improvement was within the top quartile of inspections.</p> <p>The Chair noted that of the recommendations made, no reference was made to Housing Association nominations and partnership working as set out in paragraph 85 of the Audit Commission report, and proposed that a recommendation be added to the action plan that the Council should receive 100% of nominations to all new build schemes. The Committee agreed that a recommendation be made to the Cabinet that this item be added to the action plan.</p>	

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	<p>In response to a question from the Committee, Mr Harris advised that recommendation R4 on value for money did not include the issue of charges the Council made to Homes for Haringey, and that this issue was part of a wider review that was taking place. Cllr Gorrie flagged up that this was an issue of concern which needed to be addressed, and the Committee noted the concerns raised.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That the action plan attached at Appendix C, which has been produced in response to the Audit Commission's final report and judgements in relation to its re-inspection of the Council's Housing Allocations, Lettings and Homelessness services be received and noted.</li> <li>ii) That it be agreed that the implementation of the action plan be monitored by the Housing Improvement Board.</li> <li>iii) That it be recommended to the Cabinet that a recommendation in respect of Housing Association nominations and partnership working, that the Council should receive 100% of nominations to all new build schemes, be added to the action plan for the re-inspection of the Council's Housing Allocations, Lettings and Homelessness Services.</li> </ul>	
<p><b>PRAC67.</b></p>	<p><b>TREASURY MANAGEMENT STRATEGY STATEMENT 2011/12 TO 2013/14</b></p> <p>Nicola Webb, Head of Pensions and Treasury, presented the report on the proposed Treasury Management Strategy Statement for 2011/12 to 2013/14. The report was presented to the Audit Committee for scrutiny, prior to going to Full Council for approval. Key issues set out in the report included the Council's strategy of keeping cash balances low and avoiding borrowing unless essential and the proposed additions to the approved investment counterparties list and types of instruments. It was confirmed that, of the non-UK additions to the approved counterparty list, only institutions based in AAA rated European countries and that had a minimum long term credit rating of A+ were proposed and that all transactions would be in sterling and via the London offices of those institutions only.</p> <p>The Committee asked whether mechanisms were in place to respond quickly to any market changes affecting the approved counterparty list, in response to which it was confirmed mechanisms were in place to ensure that as soon as any concerns were raised about an institution, that institution would be removed from the counterparty list with immediate effect, pending a review. It was confirmed that the strategy for non-UK institutions was to remain within the EU, AAA rated countries only. It was clarified that at any one time, no more than 10% of the cash portfolio would be exposed to a single country – of the current cash portfolio of £30-40m, this would equate to £3-4m.</p> <p>The Committee asked about the level of un-earmarked balances and</p>	

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reserves shown in the report on page 18, in response to which the Section 151 officer clarified that this represented the net position on the General Fund balances; it was noted that the appropriate level was determined on the basis of an assessment of the budget, and that this figure may need to be moderated once the budget was agreed. The external auditors confirmed that the current level was felt to be reasonable. The Section 151 Officer confirmed that for the current budget position, the target for General Fund balances was around £10m and that this would be set out in the budget report to Cabinet on 8<sup>th</sup> February 2011.

Cllr Gorrie noted that it felt unnecessary for the same report to be presented to four separate Committees, but it was stated by the Chair that this was in accordance with current CIPFA requirements. It was noted that the proposed changes in governance arrangements would address this issue. It was also noted that changes in the HRA debt may result in significant changes to the balance sheet, and that this needed to be assessed once the government had announced any changes formally.

The Committee asked whether the estimated revenue contributions of £400k for 2011/12 were included in the budget, and whether there was any flexibility in the way this was accounted for. The Section 151 Officer confirmed that this amount was based on the draft capital programme and as such was included in the budget. In response to further questions from the Committee, the Section 151 Officer advised that some of the past year's revenue contributions may have been one-off contributions. The Committee sought assurance that, if it proved necessary for the Council to borrow, borrowing would be possible. The Head of Pensions and Treasury advised that as long as the authorised borrowing limits were not exceeded, borrowing was possible. It was confirmed that cash was currently held in Santander (£9.6m) and that £15m was currently held in two money market funds.

In response to concerns that the document would need to be revised once the budget was agreed, it was reported that Full Council would be asked to approve the TMSS at the same time as the budget. The Section 151 Officer confirmed that the TMSS would be reviewed in the context of the decision made by Cabinet on 8<sup>th</sup> February 2011.

The Chair advised that the Audit Committee had a duty to scrutinise the TMSS under its terms and conditions, and that the report had been prepared on this basis. The Chair asked the Section 151 Officer to confirm that she had scrutinised the advice of the Treasury Management Advisers regarding the addition of two new UK banks, and whether she had verified that the proposed 10 non-UK Banks are all AAA rated in European countries with a minimum of AAA rating and that mechanisms were in place to remove any institutions in accordance with paragraphs 4.4 and 4.5 of the TMSS. The Section 151 Officer confirmed that all due diligence had been undertaken and that means to review and act swiftly in response to any concerns were in place.

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	<p><b>RESOLVED</b></p> <p>That the proposed Treasury Management Strategy Statement for 2011/12 to 2013/14 be noted, taking into account the comments made by the Committee in discussing the item, prior to it being presented to Council for final approval.</p>	
<p><b>PRAC68.</b></p>	<p><b>IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - PROGRESS REPORT</b></p> <p>John Holden, Head of Finance – Accounting and Control, presented the report on progress made in respect of the implementation of International Financial Reporting Standards (IFRS). It was reported that the accounts for 2010/11 would be the first to be stated under IFRS. A key milestone had been the submission of the draft restated balance sheets to the external auditor for an early opinion.</p> <p>The Committee asked about the advice received in respect of the grouping of the accounts, in response to which the Section 151 Officer had advised that the issue was not fully clear, as there were wider issues regarding charity accounts and how these could be grouped. It was reported that the outcome of this would not have an explicit or immediate impact on the taxpayer, but would affect the issue of the treatment of the debt in relation to Alexandra Palace. Cllr Gorrie made the point that this was one of the first issues the Committee had asked about when IFRS was initially reported on, and noted that an answer was still not forthcoming. Paul Dossett, Grant Thornton, advised that CIPFA still had no clear guidance on this issue, as an outcome of a similar issue in the NHS was awaited. The Chair noted that the Council was making progress in accordance with the external and Legal advice provided.</p> <p><b>RESOLVED</b></p> <p>That, noting Cllr Gorrie’s concern regarding the issue of the grouping of accounts not yet being resolved, progress to date to ensure full IFRS implementation be noted.</p>	
<p><b>PRAC69.</b></p>	<p><b>EXTERNAL AUDIT PROGRESS REPORT</b></p> <p>Paul Hughes, Grant Thornton, presented the audit progress report and highlighted the key issues. It was reported that Grant Thornton were part-way through the review of the restated 31 March 2010 balance sheet under IFRS and that no substantial issues had been identified to date. The Grants Claims and Returns Certification work was close to completion, and this would be reported to the Committee at its next meeting in April. It was reported that further work was required only in respect of the housing benefit claim.</p> <p><b>RESOLVED</b></p> <p>That the content of the report be noted.</p>	

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**PRAC70. EXTERNAL AUDIT PLAN 2010/11**

Paul Hughes, Grant Thornton, presented the report on the proposed external audit plan and fees for 2010/11, and talked the Committee through the detail of the report. It was reported that the work for the year would focus on the areas of financial resilience and value for money. Mr Hughes reported that the planned fee for 2010/11 was £505k. In addition, it was reported that the Audit Commission was giving Local Authorities a rebate of 3.5% of scale fee to reflect the cessation of the Use of Resources scored assessment exercise. The Committee noted that overall 2010/11 audit fee was therefore likely to stand at £486k, and for 2011/12 was likely to be around £462k.

In response to a question from the Committee on whether Grant Thornton provided advice on how Local Authorities could reduce their audit fee, Mr Hughes reported that they provided advice on how to streamline the audit process, which was the key element in reducing the audit fee. They also worked with the Local Authority on ways of addressing any issues of concern that may arise and to improve performance in these areas, which would reduce the fee going forward.

The Committee asked about the audit programme and how this was determined, in response to which it was reported that this was based on a risk assessment undertaken by Grant Thornton, who then met with the Council's Section 151 Officer to discuss the risks and consider the areas of work to be covered; it was confirmed that the Council had input into the process. In response to a question regarding how Members could put forward issues they would like to see covered by audit work, it was confirmed that Members could feed into the Internal Audit programme when this was brought to the Committee annually; any issues raised by Members would be looked at in terms of the scope of work and the most appropriate level for this to be addressed at, in order to provide independent assurance.

Cllr Gorrie raised the point that the level of audit fees was essentially out of the control of the Council, and that the Committee should therefore be asked to note the level of fees for the year, rather than approve them. It was agreed that the recommendation should be varied accordingly, on the basis that the fees would be approved by the appropriate mechanism within the Council.

The Chair proposed that, in the current financial climate, the overall risk management of the Council should be added to the key risk areas in the audit plan.

**RESOLVED**

That, with the addition of the overall risk management of the Council to the key risk areas, the proposed audit plan for 2010/11 be agreed and the proposed fees for 2010/11 be noted.

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	<p>Cllr Bloch left the meeting at 20:45hrs.</p>	
<p><b>PRAC71.</b></p>	<p><b>ANNUAL AUDIT LETTER</b></p> <p>It was reported that the annual audit letter for next year would focus on value for money and financial resilience issues, with an in-depth review of medium-term financial planning issues.</p> <p>The Committee asked how relevant the letter from 2009/10 was to the financial challenges faced by the Council in 2011/12, in response to which Mr Dossett, Grant Thornton, advised that while the letter looked back at the accounts for 2009/10, it should also be used as a vehicle to flag up future challenges.</p> <p>In response to questions from the Committee regarding the previous positive assessments of the Council in respect of value for money, Mr Dossett advised that the value for money assessment was an objective exercise set by the Audit Commission and subject to verification. Cllr Gorrie noted that the letter did not reflect that, at the time of writing, the Council were projecting a large overspend and expressed concern that this type of issue was not picked up in the annual audit letter.</p> <p>The Chair noted the summary of key actions set out in section 12 of the report, and reported that it appeared that the only qualified opinion was on certification of claims as one claim - the Housing and Council Tax Benefit grant claim was qualified in a total claim of 14 claims in 2008/09, which should be added to the action plan. It was noted that a full report on Grants Claims would be presented by Grant Thornton at the next meeting of the Committee.</p> <p><b>RESOLVED</b></p> <p>That the Annual Audit Letter for 2009/10 be received, and the Council's response be noted subject to the comments of the Chair as noted above as regards the action plan.</p>	
<p><b>PRAC72.</b></p>	<p><b>INTERNAL AUDIT PROGRESS REPORT - 2010/11 QUARTER 3</b></p> <p>The Head of Audit and Risk Management, Anne Woods, presented the report on the work undertaken by the Internal Audit service in the third quarter of 2010/11. It was reported that the service was on track to complete almost 100% of the Deloitte and Touche audit work by the end of the financial year, against a target of 95% and the details of this work were provided in appendix A to the report. Following the creation of the corporate anti-fraud team, there had been an increase in proactive anti-fraud work, targeting areas identified as being higher risk. The service was working with Homes for Haringey and the Strategic and Community Housing Service to look at ways of targeting housing and tenancy fraud. Since the function for investigating benefit fraud had been transferred to Audit and Risk Management in December 2010, the team had been concentrating on clearing a backlog of existing cases. From prosecutions</p>	

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	<p>achieved in Q3, a total overpayment of £90.7k had been identified, of which 20% had been recovered, and work was ongoing to secure the remaining amount. The report also gave information on council wide disciplinary statistics.</p> <p>In response to a question from the Committee, it was confirmed that the 29 suspension cases referred to in appendix C were those cases that were started in Q3 and the average number of working days each case had taken was 95. It was clarified that if a case was not concluded by the end of the quarter, the number of days taken was calculated from the start of the suspension to the end of the quarter.</p> <p>The Chair noted that all endeavours were being made to reduce the period of suspension in disciplinary cases, and that progress was being made.</p> <p>In response to a question from the Chair, the Head of Audit and Risk Management confirmed that she was satisfied that the target for internal audit performance would be met by the end of the financial year. The Section 151 officer also confirmed that she was satisfied with the performance of the Internal Audit service in ensuring the effectiveness of audit control within the Council.</p> <p>The Chair questioned the March 2012 deadline imposed for implementation of a disaster recovery plan in relation to the audit of the Planning and Control IT Application, in response to which the Head of Audit and Risk Management confirmed that this was for the implementation of a disaster recovery plan for all levels of risks, as a plan to address the highest risks had already been put in place. The Chair noted that the Head of Audit and Risk Management was exercising their professional judgement in making such decisions.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"><li>i) That the audit coverage and progress during the third quarter 2010/11 be noted.</li><li>ii) That the progress and responses received in respect of outstanding audit recommendations be noted.</li><li>iii) That the actions taken during Quarter 3 to address the outstanding recommendations be confirmed as appropriate.</li></ul>	
<b>PRAC73.</b>	<b>RISK MANAGEMENT UPDATE - QUARTER 3 2010/11</b> <p>The Head of Audit and Risk Management, Anne Woods, presented the report on the current position on compliance with the corporate risk management policy for the management of risk registers. It was reported that the list of risk registers was likely to change as restructuring took place within the Council, and that the Audit Committee would next have the opportunity to review the Council's Risk Management at the</p>	

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	<p>beginning of the new municipal year.</p> <p>In response to a question from the Chair, the Section 151 officer confirmed that the Council was complying with the agreed Risk Management Strategy.</p> <p><b>RESOLVED</b></p> <p>That compliance with the risk management strategy for the completion of risk registers across the Council be noted.</p>	
<p><b>PRAC74.</b></p>	<p><b>OFFICE OF THE SURVEILLANCE COMMISSIONERS (OSC) INSPECTION</b></p> <p>The Head of Audit and Risk Management presented the report on the inspection visit made to Haringey by the Assistant Surveillance Commissioner in November 2010. In response to a question from the Chair as to why the report was being presented to the Audit Committee, the Head of Audit and Risk Management clarified that the inspection report was separate to the performance report; it was the performance report which was reported to the Cabinet as agreed last year. The Head of Audit and Risk Management reported that no major issues had been identified as a result of the inspection, and that the two recommendations made had now been implemented.</p> <p>The Chair noted that while the overall conclusion of the inspection was positive, the Committee asked that the issues which resulted in recommendations, relating to the use of the appropriate forms, were not repeated in future.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That the content of the OSC inspection report be noted.</li> <li>ii) That the action plan to address the recommendations made by the Surveillance Commissioner be approved.</li> </ul>	
<p><b>PRAC75.</b></p>	<p><b>NEW ITEMS OF URGENT BUSINESS</b></p> <p>There were no new items of urgent business.</p>	
<p><b>PRAC76.</b></p>	<p><b>DATE OF NEXT MEETING</b></p> <p>Tuesday, 19<sup>th</sup> April 2011 at 19:30hrs.</p> <p>The meeting closed at 21:20hrs.</p>	

COUNCILLOR GMMH RAHMAN KHAN  
Chair