

**MINUTES OF THE AUDIT COMMITTEE
MONDAY, 28 JANUARY 2008**

PRESENT

Councillors Rahman Khan (Chair), Bull, Davies, Mallett (Vice-Chair), Vanier and Whyte

Apologies Councillor Gorrie and Wilson

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRAC40.	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Councillor Gorrie (due to attendance at a funeral in Scotland), and Councillor Wilson, and for lateness from Councillor Bull.</p> <p>Apologies were also received from Ms Julia Parker – Director of Corporate Resources, and Mr Gerald Almeroth – Chief Financial Officer.</p> <p>NOTED</p>	
PRAC41.	<p>URGENT BUSINESS:</p> <p>There were no items of urgent business.</p> <p>NOTED</p>	
PRAC42.	<p>DECLARATIONS OF INTEREST:</p> <p>Councillor Khan declared a personal interest in respect of Item 8 on the Agenda, because of his membership of the Haringey Council Pension Fund.</p> <p>Councillor Mallett declared a personal interest in respect of Item 8 on the Agenda, because of her membership of the Haringey Council Pension Fund, and in Item 6 as a Member of the BSF Board.</p> <p>NOTED</p>	
PRAC43.	<p>MINUTES:</p> <p>RESOLVED</p> <p>That the minutes of the meeting of the Audit Committee held on 29 October 2007 be agreed and signed by the Chair as an accurate record of the proceedings.</p>	
PRAC44.	<p>DEPUTATIONS AND PETITIONS</p> <p>There were no deputations or petitions.</p>	

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	NOTED	
PRAC45.	UPDATE ON 2007/08 AUDIT AND INSPECTION PLAN: <p>In a brief introduction of the report – Mr Lloyd – representing Grant Thornton advised, it had been felt useful to provide the Committee with an update on key areas of the 2007/08 Audit and Inspection Plan that Grant Thornton would be focusing on as part of it work for the year. Mr Lloyd referred to the Council’s Best Value Performance Plan audit which had been prepared and published in accordance with legislation and statutory guidance and that Grant Thornton had been able to issue an unqualified opinion in December 2007.</p> <p>In particular Mr Lloyd referred the Committee to the key audit risks table and highlighted the issue of potential conflict between the BSF and PFI. Grant Thornton had had a number of discussion updates with management in terms of options put forward by the Council, and also there were further discussions in relation to the detailed accounting entries in the context of both the 2007/08 accounts and the future years implications on PFI of the introduction of International Financial Reporting Standards.</p> <p>Mr Lloyd also referred the Committee to the entry relating to study on health inequality in conjunction with the Haringey PCT and the findings of this would be reported to the Audit Committee when this work was complete.</p> <p>Mr Lloyd also referred to the entry in relation to IFRS – International Financial Reporting Standards that come into effect in 2008/09 and he reported the workshop that took place with all Local Government clients to ensure full awareness of the latest accounting developments though it should be noted that the timetable of IFRS had been pushed back to 2009/10 but with Whole of Government Accounts implications for 2008/09.</p> <p>The Chair, in asking the Committee if there were any questions or points of clarification, referred to the issue of the BSF/PFI conflict and Grant Thornton’s professional judgment that with issue this there would be a reasonable and satisfactory conclusion.</p> <p>In terms of the entry in relation to Allocations policy the Chair commented that in respect of public perception the policy was not adequately serving people’s needs and that this issue needed to be revised by the Council to ensure people’s needs. In terms of the entry in relation to corporate control of the Council’s capital projects there needed to be some understandable and clear scrutiny to ensure that projects were adequately monitored.</p> <p>The Chair further referred to the entry relating to risks in restructuring the children’s services as required by legislation and stated that the Council would look to professional guidance to overcome any risk associated.</p>	

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	<p>Councillor Mallet advised at this point that she needed to declared a personal interest in this item as Board Member to BSF.</p> <p>There being no further questions the Chair MOVED and it was:</p> <p>RESOLVED</p> <p>That the contents of the circulated update on the 2007/08 Audit Inspection Plan be noted together with comments and concerns expressed during consideration of the update.</p>	
<p>PRAC46.</p>	<p>QUARTER 3 PROGRESS REPORT FOR INTERNAL AUDIT:</p> <p>In a brief introduction of the circulated report the Head of Audit and Risk Management – Ms Woods advised that the key issues of the report was the activity of Deloitte and Touche for the third quarter of 2007/08 to date, as detailed in Appendix A. Appendix A also referred to details of all reports outstanding from 2006/07. For 2007/08, a total of 64 projects had been planned for the first, second and third quarters, including school visits. To date, 36 projects had been completed and issued as final reports. A further 23 projects had been completed and draft reports issued. At this stage of the year, the percentage of completed projects and final reports issued to date was significantly above previous years' completion rates and it was anticipated that the 95% target would be achieved by the year end. Ms Woods also advised that the programme of planned follow up audits was also reported at Appendix A. For follow up work in relation to 2006/07 audits, a total of 141 recommendations had been subject to follow up, with 61 implemented including 12 out of 34 priority 1 recommendations. A further 35 were in progress and being implemented and 11 recommendations were no longer applicable. In total, a 76% compliance rate had been achieved, which was substantially higher than previous years. The higher profile of the work of internal audit and the new reporting requirements to the Audit Committee ensured that managers would take greater responsibility for implementing recommendations. In relation to outstanding Priority 1 recommendations from 2004/05 and 2005/06, the committee should note that only eight recommendations had not been fully completed, but all were in progress and had agreed deadlines for completion. Internal Audit and the Chief Financial Officer were satisfied with the responses from and actions by directors to address the remaining issues.</p> <p>Ms Woods further advised that In accordance with the Council's Constitution, Internal Audit would investigate all cases that fell outside the remit of the Housing Benefit Fraud Investigation Team and the Information Security Policy. She referred the Committee to Appendix B which detailed the individual cases that were completed by the In-house Team during the first three quarters of 2007/08 and brought forward from 2006/07. Within the third quarter, eight new cases were referred to Internal Audit for investigation, and six cases were completed during the quarter involving Council employees. To date in 2007/08, 24 new cases have been referred to internal audit for investigation, and 18 cases were</p>	

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	<p>brought forward from 2006/07. The cases investigated during quarter three covered a number of allegations from fraudulent application for housing and council tax benefits, identity fraud and fraudulent extension of PSL leased properties. During 2007/08, the average length of time taken to investigate all allegations was 12.6 weeks.</p> <p>Ms Woods concluded that Appendix C detailed the number of disciplinary suspensions and/or action taken in the third quarter of 2007/08. The data was taken from SAP and the information was provided in line with council statistics reported elsewhere. Ms Woods also advised that in addition, better management information was now available to assist in monitoring and reviewing outstanding cases in order to improve processes across all directorates.</p> <p>The Chair thanked Ms Woods for her succinct introduction. In asking if there were any questions from the Committee the Chair commented on the substantial elements of the report as detailed in Appendices A-C. He commented that it should be noted that reasonable progress had been made and officers had commented that they were happy with such progress. In terms of the recommendations before the Committee the Committee were being asked to note recommendations 2.1-2.2 which in his view were appropriate, and that in his view recommendation 2.3 was also reasonable to endorse. The Chair was satisfied that deadlines for outstanding recommendations had now been agreed and reported.</p> <p>Councillor Mallet referred to the actions at page 21 (appendix A) regarding pro active fraud and the comment in respect of mileage claims and sought clarification as to action being taken.</p> <p>In response Mr Evans (Deloitte and Touche) advised that in the main the issues were more to do with house keeping and the matter of unauthorised/authorised signatories and that it was a case of reinforcing key points. Further reports would be submitted on outcomes in due course.</p> <p>There being no further questions on a MOTION by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i. That the audit coverage and progress during the third quarter 2007/08 and on the reports outstanding from 2006/07 be noted;ii. That the progress and responses received in respect of outstanding audit recommendations be noted; andiii. That it be agreed that the actions taken to address outstanding priority 1 recommendations as detailed were considered reasonable.	
PRAC47.	AUDIT OF ACCOUNTS 2006/7: In a brief introduction Mr Bartle – Head of Corporate Finance informed	

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Members that the purpose of the circulated report was to provide an update on the final outcome of the annual audit for 2006/07 and to report on those issues raised by the Audit Commission. Mr Bartle advised the Committee that at the General Purposes Committee meeting of 11th September 2007 the Audit Commission presented to members the initial findings from their audit of the accounts for 2006/07. However at that stage the audit was incomplete and the auditors were not able to give a complete picture. It was agreed at that meeting that any final issues were to be agreed between the auditors and the Chief Financial Officer, in consultation with the Chair of General Purposes Committee and that an update report would be brought back to a subsequent meeting of the General Purposes Committee and this Committee.

Mr Bartle further commented that the statutory deadline for the signing off of the accounts by the Authority's auditors was 30th September 2007 and the final audit certificate was issued by the District Auditor on 16th October 2007. The reason for this delay was some late additional testing around the area of capital expenditure that the auditors needed to carry out in order to assure themselves that appropriate expenditure was being classified as capital spend. Mr Bartle advised that he was able to confirm that the Auditors delivered an unqualified audit opinion and concluded that the Council had proper arrangements in place to secure economy, effectiveness and efficiency in its use of resources.

Mr Bartle referred the Committee to the table at para 7.1.1 of the circulated report and advised that this highlighted key issues highlighted by the District Auditor in signing off the 2006/07 accounts. The Council's Chief Financial Officer had been working closely with the Audit Commission during the audit process to resolve the issues that arose, and it was the case that none of the issues reported on by the Audit Commission had impacted on the net spend of the Council or the level of reserves. In response to a query by the Chair in relation to para 8 Mr Bartle advised that the statements were not attached but a copy of them had been forwarded in hard form to all Members of the Authority for their information. - Mr Bartle concluded that he would respond to any specific comments in respect of key issues.

The Chair asked if there were any comments from the Committee. Councillor Bull referred to the number of copies produced of the statements, and in having it confirmed that in the region of 250 had been produced, commented that perhaps it would have been more prudent to email a PDF link for Members as in his view the exercise was a waste of resources.

The Chair responded that he disagreed entirely and that the document was necessary to be circulated both internally and externally and the public had a right to view it.

The Chair then referred to Committee to its terms of reference in relation to its duties in considering and signing off of the audit of accounts for 2006/07.

The Chair expressed concerns in respect of the valuation of assets and that there had had not been a proper independent scrutiny. He however commented on officer comments in relation to the signing off of the

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	<p>accounts and that in their view all proper arrangements were in place and the sign off had been unqualified. He asked for clarification from the Head of Internal Audit and Risk Management - Ms Woods in relation to the implications of the key issues as detailed in para 7.1., and whether she was happy with the audit of accounts.</p> <p>Ms Woods responded that these would form part of the risk assessment for 2008/09 -08 key issues. Ms Woods also confirmed that she was happy with the audit of accounts.</p> <p>The Chair also referred to issues of Governance and advised that he was happy to accept the responses of officers. However in terms of ownership of assets he was concerned with the comments stated. The Head of Finance (Accounting and Control) Mr Oliver advised that officers were currently discussing the issue with valuers and the intention was to review property documentation in line with the 5 year cycle for asset revaluations.</p> <p>Mr Dossett from Grant Thornton advised that in terms of Governance it was recommended that the issue of whether Audit Committee should actually sign off the accounts would be reviewed.</p> <p>The Chair then summarised and MOVED and it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i. that the contents of the report and the actions proposed that arose from the matters raised by the Audit Commission be noted; andii. that officers within the Authority's Valuation service be requested to ensure that there is a review of property documentation in line with the 5 year cycle for asset revaluations.	
<p>PRAC48.</p>	<p>HOUSING BENEFIT QUARTER 3 PROGRESS REPORT:</p> <p>In an introduction of the circulated report the Deputy Head of Benefits and Local Taxation - Mr Fisher – highlighted performance for the third quarter of 2007/08 which was summarised in table 1 at para 7.1 of the report, and commented that to date the Fraud Team had achieved 73 sanctions out of a total of 126 for the year and the Team were confident in meeting the remaining 53. The team had so far successfully identified 55 cases for sanction and would concentrate efforts on seeing these through to completion. Mr Fisher also referred to the successful outcomes for year to date for 2007/08 as detailed in para 7.4 – table 2, and that in comparison with the same period in 2006/07 the Fraud Team had increased it performance by an additional 8 cases as well as an increase in the number of successful prosecutions by 4 cases and an identical increase in the number of accepted Administrative Penalties.</p> <p>Mr Fisher also reminded the Committee that counter fraud activity</p>	

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contributed to the Benefits and Local Taxation Services' Comprehensive Performance Assessment and it was the case that The Department for Work and Pensions (DWP) currently used performance of sanctions activity to help judge the effectiveness of the Council's counter fraud performance and produced a performance score to rate performance. It was the case that there had not been Housing Benefit Data Match referrals from the DWP since November 2007. Because of this the DWP were only assessing performance over the first 6 months of the year which is a period when the teams performance was below the target profile. As a result it was unlikely that the Fraud Team would now score its set target of 3 under CPA however this was currently under review.

Mr Fisher further commented on the details of overpaid housing benefit as detailed at paras 7.5-7.7 of the report and advised that to date the counter fraud activity had identified £641,424 in overpaid benefit and a further £28,488 in Administrative Penalties. The Central Government subsidy paid in relation to overpayments was at a rate of 40p to the £1.00 or 40%, with a consequent estimate that £384,854 would be generated in subsidy, which would effectively result in a 60% shortfall against benefit expenditure. When combining subsidy paid, plus recovered overpayments for the year it was estimated that counter fraud activity could generate in the region of £729,235.

The Chair, in asking if there were any comments from the Committee reminded the Committee of its terms of reference in considering such matters.

Councillor Bull referred to the £729,235 projected income from counter fraud activity and sought clarification as to whether this amount would be received in instalments, together with clarification on recovery performance and how overpayment was taken back from recipients. In response Mr Fisher advised that the figure of £729,235 was a projected figure. In terms of recovery the subsidy arrangements were designed to incentivise local authorities to recover overpaid benefit, and the overpayment recovery performance was currently at 53.69%.

This percentage figure equated to £344,381 for overpaid housing benefit for quarter periods 1-3 in 2007/08. In terms of reclaiming payments it was a case of giving time for repayments, of which a number were taken at source by recovering monies from on going benefit payments to an individual. There were also cases of error in payments by the Local Authority which were a case of non fraud but these figures were not included as this report related to cases of fraudulent claim.

In response to comments from Councillor Mallet in relation to the clamp down of information to Local Authorities as a result of the recent occurrence, Mr Fisher explained that this was due to lapses in data security which had affected Government Departments. This had resulted in the DWP suspending both collection and distribution of electronic data. Nevertheless, the Fraud Team were confident that there had sufficient work in progress to meet their targets as set at the

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	<p>beginning of the year. and the subsequent point from Councillor Whyte asked whether enough had been put in place to prevent fraud from occurring in the first place – In response Mr Fisher stated that the Benefits and Local Taxation Service has verification procedures in place. These had been tested by the Benefit Fraud Inspectorate during their inspection of the Service in June 2007. This had found some lapses in procedure with new claims for Housing Benefit, but none during the assessment of changes. Procedures were sound and were lapses were found these were reiterated to staff so they could be followed properly.</p> <p>The Chair referred the Committee to paragraph 8.4 of the report in relation to the new sanctions policy and endorsement of this policy by the Cabinet member for corporate resources. The Chair asked that any comments that Members may have be referred to the Cabinet Member directly.</p> <p>There being no further comments it was:</p> <p>RESOLVED</p> <p>That the contents of the report, and the work being carried out by the Benefits and Local Taxation Service in relation to Counter Fraud activity be noted.</p>	
<p>PRAC49.</p>	<p>RISK MANAGEMENT UPDATE:</p> <p>The Head of Audit and Risk Management – Ms Woods – advised Members that the Committee at its previous meeting in October 2007 requested a detailed summary of progress across the council to ensure that their responsibilities according to the committee terms of reference were being appropriately discharged. The report before the Committee provided an update on progress since October 2007, and identified those processes which would continue during 2008/09 as part of the annual audit plan. Ms Woods further advised that the Council’s revised Risk Management strategy was due to be approved by CEMB, and would be presented to the Audit Committee in April 2008. This document was reviewed on an annual basis, with consultation on a revised and updated strategy currently ongoing. Ms Woods stated that the final version would be brought to the next Audit Committee for final approval.</p> <p>Ms Woods further commented that during 2007/08 Internal Audit had been working with business unit and departmental representatives to review, test and update the risk registers. The review and testing of risk registers formed part of the 2007/08 annual audit plan and would be an ongoing process in 2008/09 to ensure the key controls to manage identified risks were effective and would operate as intended. This would also ensure compliance with the agreed strategy.</p> <p>The Chair, in asking if there were any comments from the Committee, commented that whilst the comments expressed by officers were</p>	

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	<p>positive he advised that he was not able to fully accept that all risk registers had been updated and agreed and that from the detail in the report stated that they were in draft. He therefore felt it imperative that the matter be reported to the next meeting of this Committee for consideration and agreement.</p> <p>Mr Evans from Deloitte and Touche advised that it was a matter of semantics and that the drafts were in fact final reports and officers were in possession of those finalised versions. Ms Woods responded that the revised version of the corporate risk register would be submitted to the next scheduled Audit Committee in accordance with the agreed procedure.</p> <p>On a MOTION by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i. That the progress made during 2007/08 to date in respect of Risk Management be noted, and the approach set out in section 6 of the report in relation to the planned programme be agreed; andii. That all revised and agreed risk registers that had been updated be reported to the next Audit Committee.	
<p>PRAC50.</p>	<p>INTERCEPTION OF COMMUNICATION COMMISSIONER'S OFFICE INSPECTION REPORT:</p> <p>In a brief introduction of the report by the Head of Audit and Risk Management – Ms Woods advised that the report informed the Committee of the inspection visit made to Haringey by the Inspector from the ICCO and the recommendations made as a result. The report also advised Audit Committee of the actions taken to address the ICCO recommendations in order to ensure that these are appropriately addressed. Ms Woods also referred the Committee to the letter and report from the ICCO which had been marked 'restricted' and she wanted to allay the Committee's fears that this report was not actually exempt and none of the information contained therein was of an exempt nature. Ms Woods advised that she had been in discussion with the Inspector who wrote the report to clarify this and he had advised that it was a standard mechanism of the ICCO, though this was not the case in other parts of the Inspectorate.</p> <p>There being no comments from the Committee it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i. That the content of the ICCO inspection report be noted; andii. that the action plan to address the recommendations made by	

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	the ICCO inspector be noted.	
PRAC51.	NEW ITEMS OF URGENT BUSINESS: There were no items of urgent business. NOTED	
PRAC52.	DATE OF NEXT MEETING: The next scheduled meeting of the Audit Committee would take place on Monday 28 April 2008 at 19.30hrs at the Civic Centre, Wood Green, London N22.	

The meeting ended at 20.25hrs

COUNCILLOR GMMH RAHMAN KHAN

Chair