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Meeting	Audit Committee
Date	4 April 2006
<b>Subject</b>	<b>Audit Arrangements, Barnet Homes</b>
Report of	Head of Housing
Summary	This report updates the Committee on the internal audit arrangements within Barnet Homes

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Officer Contributors	Nigel Hamilton, Head of Housing
Status (public or exempt)	Public
Wards affected	None specific
Enclosures	None
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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## **1. RECOMMENDATIONS**

- 1.1 That the Committee note the internal audit arrangements within Barnet Homes, as described in this report.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 At its meeting on 21 December 2005 the Committee received a report on the financial governance arrangements of Barnet Homes and agreed, amongst other things, "That the Head of Housing be instructed to follow up with Barnet Homes the issue of appointment of a new internal auditor, and to investigate whether any external audits had been carried out on Barnet Homes's internal governance arrangements and to report back to a future meeting of the Committee".

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 Barnet Homes contributes to Supporting the Vulnerable by providing decent homes in sustainable environments. It also supports other Council priorities, particularly tackling crime through its anti-social behaviour team.

## **4. RISK MANAGEMENT ISSUES**

- 4.1.1 Barnet Homes manages the Council's housing. It also manages the Housing Revenue Account on behalf of the Council. The properties remain in Council ownership and the tenants remain Council tenants. There is therefore a risk that any failure of governance or performance by Barnet Homes could represent a financial or reputational risk to the Council.
- 4.1.2 For these reasons Barnet Homes was identified as a key corporate risk in the 2004 Corporate Plan. However it was removed from the list of high risks in the 2005 Plan in the light of the experience of the first year of the operation of the organisation, and of the arrangements summarised in the December 2005 report to this Committee.

## **5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 5.1 None specific to this report

## **6. LEGAL ISSUES**

- 6.1 None.

## **7. CONSTITUTIONAL POWERS**

- 7.1 Council's Constitution Part 3 Section 2 details the functions of the Audit Committee including "ensuring that ....action taken by the Council to implement fully a risk management system are balanced, fair, conform to accountancy standards and meet prevailing best practice"

## **8 BACKGROUND INFORMATION**

- 8.1 At the time of the December 2005 report concern was expressed by both Officers and Members that there was a gap between Barnet Homes' termination of their contract for internal audit with the Council and the appointment of new auditors. The selection process for new internal auditors was scheduled to complete on February 1 2006. Members have therefore asked for assurance that this process was satisfactorily completed.
- 8.2 The process was monitored through the monthly partnership meetings between the Head of Housing , the Chief Executive of Barnet Homes and other senior staff.
- 8.3 Barnet Homes appointed Tribal Business Assurance (TBA) to provide 150 days per annum of audit work following interview on 18 January 2006, a decision confirmed by its Business sub group on 8 February 2006. The contract runs for 3 years. Barnet Homes advise that the 150 days to be provided considerably exceeds the 98 days provided for by the internal contract. TBA brings together teams from The Internal Audit Association and Tribal Local Government Consulting. Barnet Homes has an audit plan in place but this is being reviewed with the new auditors to ensure it reflects key business priorities and risks, particularly the capital programme and the general control environment. It is also expected that the new auditors will assist with documenting processes in conjunction with the implementation of SAP. It is planned to take a revised audit plan for 2006/07 and 2007/08 to the Business sub-group on 5 April.
- 8.4 Members also asked for information about external audit of Barnet Homes' governance. There has been no external audit specifically of this issue. However, the Housing Inspectors of the Audit Commission reviewed the arrangements as part of their inspection in 2004 and found that "overall strengths outweigh weaknesses" and that "Barnet Homes has detailed schemes and procedures to manage risk." Barnet Homes has employed the consultants Housing Quality Network to review the training needs of the Board. Barnet Homes' external auditors are Robson Rhodes who will have reviewed governance and accountability as part of their annual reporting. The draft internal audit plan for 2006/07 has 6 days allocated to governance.

## **9 LIST OF BACKGROUND PAPERS**

- 9.1 Report to Barnet Homes Business sub-group, 8 February 2006 "Appointment of Internal Auditors"
- 9.2 Any person wishing to inspect the background papers should telephone 020 8359 6063.

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