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GENERAL PURPOSES COMMITTEE

Thursday, 23rd July, 2020 at 7.00 pm (virtual meeting)

AGENDA -PART 1 TO FOLLOW PAPERS

4. EXTERNAL AUDIT PROGRESS AND FEES UPDATE (Pages 1 - 4)

To receive a report from BDO (External Auditors) presenting the external audit progress and fees update

8. 2019/20 ANNUAL INTERNAL AUDIT REPORT (Pages 5 - 68)

To receive a report from Gemma Young, Head of Internal Audit and Risk Management.

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London Borough of Enfield**General Purpose Committee****23 July 2020**

**Subject: External Audit Progress and Fees Update, as at
14 July 2020****Cabinet Member: Cllr Mary Maguire****Executive Director: Fay Hammond****Key Decision: No**

Purpose of Report

1. The attached report from BDO provides an External Audit progress and fees update as 14 July 2020.

Proposal

2. Recommendation for the Committee to note the report.

Reason for Proposal(s)

3. The reporting is for noting.

Relevance to the Council's Corporate Plan

4. N/A

Background

5. Set out in the BDO paper.

Main Considerations for the Council

6. The report should be considered alongside the draft Statement of Accounts which is also on the agenda.

Safeguarding Implications

7. N/A

Public Health Implications

8. N/A

Equalities Impact of the Proposal

9. N/A

Environmental and Climate Change Considerations

10. N/A

Risks that may arise if the proposed decision and related work is not taken

11. N/A

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

12. N/A

Financial Implications

13. N/A

Legal Implications

14. N/A

Workforce Implications

15. N/A

Property Implications

16. N/A

Other Implications

17. N/A

Options Considered

18. N/A

Conclusions

19. Set out in the body of the BDO Report

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Date of report 15 July 2020

Appendices

BDO Progress Report

Background Papers- None



Report to the General Purposes Committee, 23 July 2020

Audit for the year ended 31 March 2020

External audit progress and fees update, as at 14 July 2020

Audit status

As at the date of drafting this report, we have the following progress to report:

Main audit

The agreed start date for the main audit remains 3 August.

Non-current asset valuations work ahead of the main start (to allow for lead-in time for valuation challenges) has been slightly deferred because of resource pressures in Enfield, but we mutually agreed that it was preferable to have a later start with working papers fully completed and checked than earlier without this assurance.

There have been issues with the Council's Sharepoint infrastructure causing delays both for officers in uploading documentation and for BDO in accessing them. If this persists then there will be delays in the audit timetable. An alternative solution, potentially using a new BDO tool "Inflow", is being investigated.

For valuations, we received on 14 July:

- PPE note and supporting workings that feed into the PPE note.
- Asset register (excel format)
- HRA valuation as at 31 March 2020
- Knight Frank valuation report as at 31 March 2020-(covers Investment Properties (rural portfolio))
- Avison Young draft valuation report as at 31 March 2020 (operational assets, Surplus assets and part of Investment properties)
- Spencer Craig valuation report as at 31 December 2019 and material changes report as at 31 March 2020-(covers retail portfolio).

We are now able to update sampling and select top up samples for PPE additions, disposals and transfers, although we are prioritising valuations work at the moment.

On 15 July we will witness ledger data extraction that will feed into our data analytics work.

Work is already ongoing for both collection fund income and collection fund expenditure. There are no queries at the moment.

Pension fund audit

We commenced the Pension Fund audit on the agreed start date of 8 June - the earlier scheduling is enabled because there were few issues with the Pension Fund accounts last year and helps allow us to focus on the main audit in August and September.

Generally good progress:

- Work ongoing in respect of Contributions and Management expenses (both virtually complete); Other benefits and transfers; Related parties; and Triennial data cleansing
- A handful of errors have been identified that officers have agreed to adjust for. We are waiting for the adjusted disclosures so we can review and confirm.
- Investments work has commenced, and supporting explanations have been obtained for variances between working papers and fund managers reports. We are waiting for bank confirmations, and these and deposits will be tested with investments.
- We haven't been able to start journals work because we were unable to access SAP at the point requested because the ledger was still open for main accounts preparation work. We will now test journals for both the main Council and Pension Fund at the same time.

Conclusion

Good progress being made. Some delays in working papers and logistical issue to resolve, but currently still on track.



Fees update

2018/19 overrun fees

The total value of overrun fee for 2018/19 was £55,900. A full and detailed analysis has been provided to officers. In summary, the key elements were:

- Valuations: £25,800, of which £14,100 directly related to beacon valuations issues. Other components included issues with surplus assets, assets under construction, buy-backs, data inputs for valuations, revaluation classifications, and depreciation.
- Financial statements: £12,000, including issues relating to mapping of ledger codes, the need to duplicate testing relating to group accounts and income and expenditure statement analyses, some technical issues and multiple versions checking with the volume of adjustments necessary.
- Extra testing: £10,600, including McCloud and GMP pensions cases, land registry issues, bad debts, financial instruments and the additional audit reporting requirements
- Extended testing (necessitated by errors identified): £7,500, including payroll, journals, income, expenditure, schools and exit packages.

Officers' significant efforts in redesigning the closedown arrangements and accounts preparation, including enhanced quality checking and the replacement of the asset register and a thorough overhaul of valuations generally should mitigate against recurring overruns in most of the areas referred to above. However, there will be additional audit costs in 2019/20 linked to the new asset register implementation and the increased volume of HRA beacon valuations (referred to below).

Future years

Context

PSAA wrote to s.151 officers on 12 December 2019, on 28 February 2020 and on 30 April 2020.

“the immediate impact [of three separate reviews commissioned by the Government] is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.”

2019/20 proposed additional fees

We have proposed the following increases in fees for 2019/20 based on issues known at the planning stage:

Main:

- Recurring elements (e.g. PPE and Pensions approach and Groups etc.): £17,570
- Non-recurring (i.e. this year only - extra HRA beacons work and triennial pensions): £8,650
- However, there are certain things (e.g. new asset register, restatements etc.) where we can't estimate because we do not know the extent of changes needing auditing

Pension Fund:

- Recurring elements (e.g. Investments testing, actuarial assumptions): £6,880
- Non-recurring (triennial data cleansing audit work): £6,000

The recurring elements will be proposed as Scale fee adjustments.

2020/21 anticipated fee variation

The new NAO Code of Audit Practice is introduced from 2020/21. This changes the approach to use of resources and reporting of audit findings. The Auditor Guidance Notes relevant to implementation of these requirements are currently subject to consultation. We therefore cannot yet determine resource and fee implications, although the expectation is more resource and at senior levels of the team.

We will update the Committee when we have more information.

London Borough of Enfield

General Purposes Committee

23 July 2020

Subject: Internal Audit Annual Report 2019/20

Cabinet Member: N/A

Key Decision: N/A

Purpose of Report

1. The Annual Report (Appendix A) summarises:

- the results of the work that the Internal Audit service has undertaken during 2019/20
- the continued work of the Head of Internal Audit in collaboration with the internal Assurance Board to target limited audit Resources at the highest priority Corporate and Schools' services
- the opinion of the Head of Internal Audit and Risk Management that, whilst Corporate Services remain consistent due to the deterioration in Schools performance, there is *Limited* assurance over the arrangements for governance, risk management and internal control in the London Borough of Enfield
- the results of an external review of the Internal Audit service which concluded that the service *partially conforms* to the Public Sector Internal Audit Standards (PSIAS)

2. In 2019/20 59 audits were commissioned through the Council and monitored by the Assurance Board, of which 44 received an assurance rating. 32 Audits were targeted at key Corporate Services and 12 were Schools' audits. This compares to 34 Corporate audits and 13 Schools audits in 2018/19. In addition, the auditing process for Financial Services was significantly strengthened by cessation of the automated monitoring programme and the instigation of in-depth audit reporting.

3. In 2019/20 9% (4) of audit reports received *No* assurance compared to 6% (3) in 2018/19. Whilst the number of *Limited* assurance Corporate audits reduced there was a significant increase in *Limited* Assurance Schools' audits with only 33% of audited schools achieving positive assurance. This is analysed as follows:

	Limited Assurance Opinions	
	2019/20	2018/19
Corporate	12	16
Schools	8	3

- The improved targeting of services and enhanced audit regime has enabled some long-standing risks to be identified, evaluated and addressed in this year's process. However, the extent of Limited Assurance reports occurring in Schools will require further work in collaboration with the Director, Education within the People Department to ensure future Schools audits achieve better outcomes and that the issues arising are addressed quickly.
- A total of 344 high, medium and low actions were identified from the 44 completed audits. Whilst schools made up 27% of completed audits, they accounted for 53% of the total actions. Due to the larger scope applied to schools, a higher number of actions is to be expected.

Actions	Corporate	Schools	Total
High	32	19	51
Medium	95	77	172
Low	34	87	121
Total	161	183	344

- By the year end, 73% of Corporate actions had been completed and around 59% of Schools' high risk actions that were due to be implemented by 31 March 2020 had been completed. At the date of publication significant progress has been made on Corporate recommendations with 100% high and 85% medium actions being completed. The full picture is as follows:

	Corporate		Schools	
	High	Medium	High	Medium
Actions due to be implemented by 31 March 2020	55	142	17	60
Of which implemented by 31 March 2020	40 (73%)	62 (44%)	10 (59%)	45 (75%)
Of which implemented by 15 July 2020	55 (100%)	120 (85%)	14 (82%)	47 (78%)

7. Since 2018/19 a number of additional measures and safeguards have been undertaken to focus attention on good governance, risk management and financial stewardship are maintained across the Council. These include:
- Finalised OFSTED inspection on Children Services including a 'Good' overall rating and 'Good' for all individual elements including leadership.
 - An LGA Review of Early Years Services
 - Independent Review Council's IT Structure and Programme Delivery
 - Grant Thornton Financial Resilience Review
 - Revision of Treasury management Strategy
 - Adoption of 10-Year capital programme
 - Introduction of new Risk Management framework.
 - Independent Review of Council's Scrutiny and Governance functions.
 - Improved transparency of Financial reporting.

8. Good Homes in Well Connected Neighbourhoods

An effective Audit and Risk Management Service helps to provide assurance over any risks that might adversely affect the delivery of good homes in well-connected neighbourhoods.

9. Safe, Healthy and Confident Communities

An effective Audit and Risk Management Service is an essential management tool which will help the Council achieve its objectives to sustain safe, healthy and confident communities.

10. An Economy that Works for Everyone

An effective Audit and Risk Management Service will help the Council achieve its objectives in building a local economy that works for everyone.

Background

11. In line with the Council's Internal Audit Charter which is based on the requirements of the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit and Risk Management has a responsibility to regularly update the General Purposes Committee on the work of Internal Audit through periodic and annual reports.
12. These reports should include details of audit activities with significant finding along with any relevant recommendation. Periodic information on the status of the annual audit plan should also be included.
13. The PSIAS also requires the Head of Internal Audit and Risk Management's annual report includes an opinion of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In 2019/20, the Head of Internal Audit and Risk Management's opinion is that, whilst

Corporate Services remain consistent, due to the deterioration in Schools performance there is *Limited* assurance on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and controls.

14. Additionally, it is a requirement of the PSIAS that an external assessment of the Internal Audit function is conducted every five years by a qualified and independent assessor from outside the organisation. Such an assessment was carried out in 2019/20 and the finding from this is that the Internal Audit service *partially conforms* with the PSIAS.

Main Considerations for the Council

15. Any large complex organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate risks it may face. Over the past two years the Council has sought to target the available audit resources, through the Council's Assurance Board, at services that require the greatest levels of scrutiny.
16. Some of these services have not been reviewed for some time, whilst the nature of risk has changed in others due to change in the way that staff operate. Reductions in staffing levels has also been seen to create greater risks within service areas.
17. During 2019/20 the Council improved its Risk Management procedures and completed very detailed assessments for issues including Covid-19 and Brexit. Its recognised that further work is required in relation to Risk Management in departments and this has commenced and will be completed in the next 6 months.
18. The Internal Audit Service works closely with senior managers in the identification and mitigation of risks as part of its work and has helped to shape the Council's approach to dealing with risk and mitigation. The Assurance Board consisting of the Council's Statutory Officers and Internal Audit is seen as a best practice approach by the Head of Internal Audit and Risk Management. The Board reviews its approach each year and in 2020/21 will introduce the following additional controls:
 - Additional sign off processes and tracking procedures more closely involving Executive Directors for all *Limited* and *No* assurance reports
 - Revised procedures around Risk Management at Departmental/Divisional level
 - Revised escalation procedures around Schools including escalation to Governors

Safeguarding Implications

19. There are no safeguarding implications arising directly from a review of the Internal Audit Annual Report 2019/20. The Executive Director of People is satisfied that there are no safeguarding risks arising from the adverse audit findings.

Public Health Implications

20. There are no public health implications arising directly from a review of the Internal Audit Annual Report 2019/20.

Equalities Impact of the Proposal

21. Corporate advice has been sought regarding equalities and an agreement has been reached that it is not relevant or proportionate to carry out an equalities impact assessment/analysis for this report.

Environmental and Climate Change Considerations

22. There are no environmental and climate change implications arising directly from a review of the Internal Audit Annual Report 2019/20.

Risks that may arise if the proposed decision and related work is not taken

23. Any large complex organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate risks it may face. The revised approach to targeting auditing process is now well embedded and has been successful at identifying key areas for review. Revisions to financial auditing have enabled the identification and resolution of issues that may have put the council at risk.
24. The Internal Audit Service supports management in the identification and mitigation of risks as part of its work and therefore if this work is not carried out, reviewed and followed up the Council faces the risk of legal, financial and reputational loss.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

25. None

Financial Implications

26. Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should “make arrangements for the proper administration of their financial affairs”. The Chief Finance Officer (Section 151 Officer) in a local authority must lead the promotion and delivery, by the whole authority, of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. The role of the Section 151 includes ensuring that the systems and processes for financial administration, financial control and protection of the authority’s resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice. The Accounts and Audit Regulations 2003 (England and Wales), requires that a ‘relevant body

shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control’.

27. The role of audit supports this by undertaking a review of the controls in place, the Internal Audit plan sets out in partnership to achieve this by:
28. Ensuring that the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes.
29. Ensuring that these controls are an integral part of the authority’s underlying framework of corporate governance and that they are reflected in its local code.
30. In this context, the Internal Audit plan is developed in partnership with the wider organisation, seeking to focus on areas of the greatest risk in order to ensure that the appropriate controls are in place and where controls are found to be inadequate plans to address these are implemented.
31. This annual audit opinion concludes that there is *Limited* assurances on our internal controls on the basis of an increasing number of *Limited* or *No* assurances audits. In part the context is that audit continues to be focussed on the areas of highest risk, this is evidenced by the fact that in 2019/20 Resources Directorate (by nature of its role a department with key control risks) and Schools made up over half of the audit work; in 2018/19 it was a third.
32. It is informative to reflect on some of the contributing factors to the audit opinion for 2019/20. The change of approach to auditing key finance systems in 2019/20 was welcomed as this brought a more in-depth approach to checking controls. Following this more robust audit approach, areas of high risk and improvements have now been identified (with the key finance systems being reported on five separate audit lines – Accounts Receivable, General Ledger, Payroll, Income Reconciliations, Procurement Cards). In 2018/19, 13 School audits were conducted with 9 high risks; in 2019/20 12 school audits were conducted with 19 high risks. The Audit and Risk Management Committee previously identified schools as an area of concern.
33. As Section 151 Officer I am confident in the management team and organisations commitment to continue to work on implementing the actions necessary to improve this position and that overall the key financial safeguards are in place. The ongoing review of our key control systems will continue over the coming year to ensure that overall the finances continue to be well-governed.

Legal Implications

34. The Council’s chief finance officer (the ‘Section 151 officer’ – section 151 Local Government Act 1972) has statutory status and is responsible for financial administration. The chief finance officer is also under a statutory duty to issue a formal report if s/he believes that the Council is unable to set or maintain a

balanced budget (the 'section 114 report' (section 114 Local Government Finance Act 1988)).

35. The Accounts and Audit Regulations 2015 (the '2015 Regulations') places an obligation on local authorities to maintain a system of internal audit whereby it:
 - (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and
 - (c) includes effective arrangements for the management of risk.
36. The internal audit service must be effective in order to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.
37. Each financial year the council must conduct a review of the effectiveness of the system of internal control required by regulation and prepare an Annual Governance Statement.
38. This report addresses the statutory obligations for local audit processes in compliance with the 2015 Regulations.

Workforce Implications

39. There are no workforce implications arising directly from a review of the Internal Audit Annual Report 2019/20.

Property Implications

40. There are no property implications arising directly from a review of the Internal Audit Annual Report 2019/20.

Options Considered

41. Given the requirements of the Public Sector Internal Audit Standards, no other options were considered.

Conclusions

42. The General Purposes Committee is requested to note:
 - the work completed by the Internal Audit team during 2019/20 and the key themes and outcomes arising from this work
 - the opinion of the Head of Internal Audit and Risk Management that given the amount of *Limited* and *No Assurance Schools'* audits there is *Limited*

assurance on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and controls.

- the opinion of the external assessor that the Internal Audit service *partially conforms* with the Public Sector Internal Audit Standards

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Date of report 15 July 2020

Appendices

Appendix A: Internal Audit Annual Report 2019/20

Background Papers

N/A

Appendix A



Internal Audit
Annual Report
2019/20

July 2020

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Section I: Annual Opinion

Introduction

Internal Audit provides assurance to all levels of management about the adequacy and effectiveness of operations, compliance with laws and regulations, accuracy and reliability of management reporting, and the safeguarding of assets and other interests. Internal Audit fulfils this role by undertaking a range of independent reviews which evaluate the Council's internal control framework. Where necessary, recommendations for improvement are agreed with managers to introduce good practice throughout the Council.

The Public Sector Internal Audit Standards require the Head of Internal Audit and Risk Management to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Risk Management Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in **Appendix 6**. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

This report forms an important part of the Annual Governance Statement, which is a key requirement of the Council's annual accounts.

Impact of Covid-19 Pandemic

Due to the impact of the Covid-19 pandemic on the Council, a number of reports issued in draft have not yet been finalised. In order to provide consistent comparisons to 2018/19, we have included the results of all audits performed in 2019/20 whether the reports have been finalised or not. In line with our normal audit procedures, all key findings have been discussed with teams prior to the issue of the audit reports and so we do not expect major changes to take place prior to finalisation. Our past experience also supports this assumption.

Head of Internal Audit and Risk Management's Annual Opinion

The Audit and Risk Management Committee agreed to an internal audit plan covering 59 subject areas. The work program was targeted at the Council's highest risk areas of operation. I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

My opinion for 2019/20 is as follows:

Limited Assurance

The opinion of the Head of Internal Audit and Risk Management is that the arrangements for governance, risk management and internal control provided *Limited* assurance that material risks, which could impact upon the achievement of the Council's services or objectives, were being identified and managed effectively. Although Corporate Services remain consistent, this opinion is due to the deterioration in Schools' performance. Improvements are required in the areas identified in our reports to enhance the adequacy and effectiveness of the framework of governance, risk management and

Basis of the opinion

The Head of Internal Audit and Risk Management's opinion is based on the following:

- The Council's internal audit plan covered both the Council's key processes and systems and those operating in Enfield's schools. In 2019/20 59 audits were commissioned through the Council and monitored by the Assurance Board, of which 44 received an assurance rating. 32 audits were targeted at key Corporate Services and 12 were Schools' audits. This compares to 34 Corporate Audits and 13 Schools Audits in 2018/19. In addition, the auditing process for Financial Services was significantly strengthened to improve the level of understanding of the nature of the risks identified.
- In 2019/20 9% (4) of Audits received *No Assurance* compared to 6% (3) in 2018/19. Whilst the number of *Limited* assurance Corporate audits reduced there was a significant increase in *Limited* assurance Schools' audits with only 33% of audited Schools achieving *Reasonable* assurance. This trend has had a downward effect on the Council's overall opinion.

	Limited Assurance Opinions	
	2019/20	2018/19
Corporate	12	16
Schools	8	3

- The improved targeting of services and enhanced audit regime has enabled some long-standing risks to be identified, evaluated and addressed in this year's process. However, the extent of *Limited* assurance reports occurring in Schools will require further work in collaboration with the Director, Education within the People Department to ensure future Schools audits achieve better outcomes and that the issues arising are addressed quickly.
- A total of 344 high, medium and low actions were identified from the 44 completed audits in 2019/20. Whilst schools made up 27% of completed audits, they accounted for 53% of the total actions. Due to the larger scope applied to schools, a higher number of actions is to be expected.

Actions	Corporate	Schools	Total
High	32	19	51
Medium	95	77	172
Low	34	87	121
Total	161	183	344

- By the end of the financial year 73% of all Corporate high risk actions and around 59% of Schools' high risk actions that were due to be implemented by 31 March 2020 had been completed. At the date of publication, significant progress has been made on Corporate recommendations with 100% high and 85% medium recommendations being completed.

	Corporate		Schools	
	High	Medium	High	Medium
Actions due to be implemented by 31 March 2020	55	142	17	60
Of which implemented by 31 March 2020	40 (73%)	62 (44%)	10 (59%)	45 (75%)
Of which implemented by 15 July 2020	55 (100%)	120 (85%)	14 (82%)	47 (78%)

Section II: Analysis of Internal Audit Work

Overview of work done

The internal audit plan was designed to be flexible, and reviews have moved in and out of the work programme during the year to accommodate the Council's changing risk profile and ability to obtain assurances from other reliable sources. Conscious of the significant pressure on resources that the Council faces, internal auditors continued to support management by identifying potential process efficiencies and streamlining controls wherever possible. This resulted in a reduction of 19 reviews from the agreed audit plan of 70 audits. However, 7 new assignments were undertaken to substitute for some of the cancelled or deferred audits, resulting in a total of 59 assignments undertaken in 2019/20. The changes were notified to Audit and Risk Management Committee during the year and have not impacted upon the assurance opinion for key risks across the Council (see **Appendix 3** for further details).

As noted earlier, the impact of the Covid-19 pandemic has affected the finalisation of 2019/20 audit reports issued in draft.

At 31 March 2020, Internal Audit delivered 93% of the internal audit plan to draft report stage against the target of 95% that was set out in the Internal Audit Charter. The internal auditors were independent of the areas audited and did not experience any significant limitations or restrictions on the scope of their activity.

It should be noted that the Head of Internal Audit and Risk Management has responsibility for services which, although related, are outside of the remit of the Internal Audit service, namely Counter Fraud, Insurance and Risk Management services. To avoid potential impairment of objectivity, these services are risk assessed alongside other Council services in formulating the internal audit plan, and where reviews are required, they are undertaken by the Council's independent partner, PwC.

In 2019/20, PwC carried out a Risk Management audit. A summary of the results of this audit can be found in **Appendix 1**.

The Head of Internal Audit and Risk Management attended departmental management team meetings, Assurance Board and Executive Management Team meetings during the year, to present progress on planned and ongoing internal audit work, including tracking of recommendations. This involvement enabled Internal Audit to provide early input on risk management and internal control matters for key activities and projects.

As one of the founder members of the Cross Councils' Assurance Service (CCAS), the Internal Audit function has operated a co-sourced model in partnership with PwC. This continued to provide the Council with the ability to access specialist resources as required, to provide assurance over emerging and complex risks.

Throughout the year, internal audit activity has endeavoured to conform to the Public Sector Internal Audit Standards. An independent peer review of the service was undertaken by the Chartered Institute of Public Finance and Accountancy in January 2020. This concluded that the Council's internal audit service **partially conforms** with the Public Sector Internal Audit Standards. The review presented the team with recommendations for improvement which are being put into place. Further details regarding this review can be found in **Section IV** of this report and Appendix 5 summarises the review findings.

The work of the Council's Counter Fraud team is reported to the General Purposes Committee via a separate report.

Audit outcomes

Where subject areas could be assessed from testing of control design and effectiveness, they have been given an assurance opinion, ranging from *Substantial* to *No* assurance. Definitions of assurance opinions are provided in **Appendix 2**. Where it has not been appropriate to provide an opinion, audit work has been reported in the form of a management letter, which may include an action plan for improvement, depending on the nature of the work. Results are reported in the form of a management letter for the following types of assignment:

- Review of grant claims and the Mayor's Charity statements;
- Follow-up of managers' progress with the implementation of recommendations from previous audit work;
- Where the system of control had changed recently, such that there was insufficient evidence of current controls in operation to facilitate testing of their effectiveness;
- Where management requested internal audit advice to assist in the design of a new or improved control framework;
- Where management requested internal audit review to analyse or investigate areas of concern or known weakness and advise on the improvements needed.

Trends

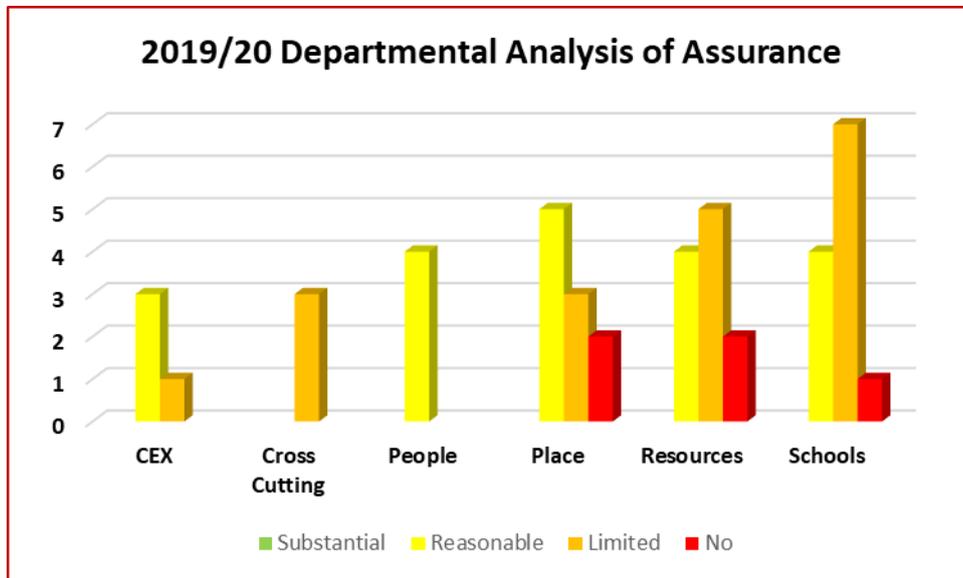
We noted several areas of good practice throughout the Council including the Assurance Board process which is considered to be a best practice mechanism for identifying and assisting the Head of Internal Audit and Risk Management to target limited resources effectively. The Board covers all areas of risk across the Council which has enabled a more co-ordinated approach to areas of greatest risk. In addition, the Head of Internal Audit and Risk Management ensured that the Schools' audits were approached in a similar style. Over 50% of audits were targeted at Schools and financial systems.

Whilst good processes and structures have been implemented the number of Schools with *Limited* and *No* assurance is of greatest concern and a *Reasonable* assurance level will not be achieved until Schools' performance has demonstrably improved. Measures are being put in place to further enhance the support and escalation of audit findings through school management processes.

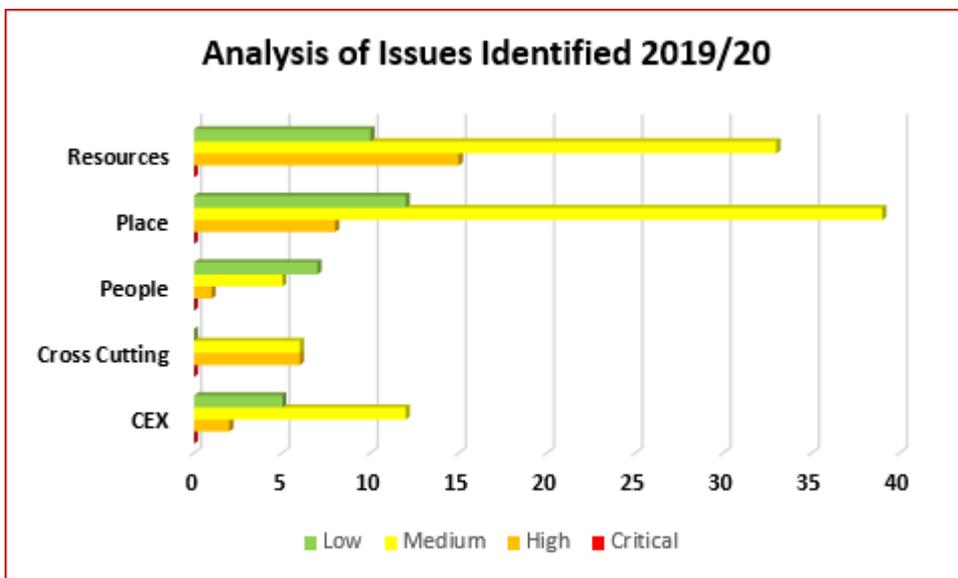
Corporate audit performance has remained consistent with similar levels of assurance findings and recommendations. Financial auditing processes were improved this year to make them more nuanced and less repetitious and this has enabled better understanding of risks and necessary controls. Senior management is keen to further improve the speed at which recommendations are completed.

Departmental Outcomes

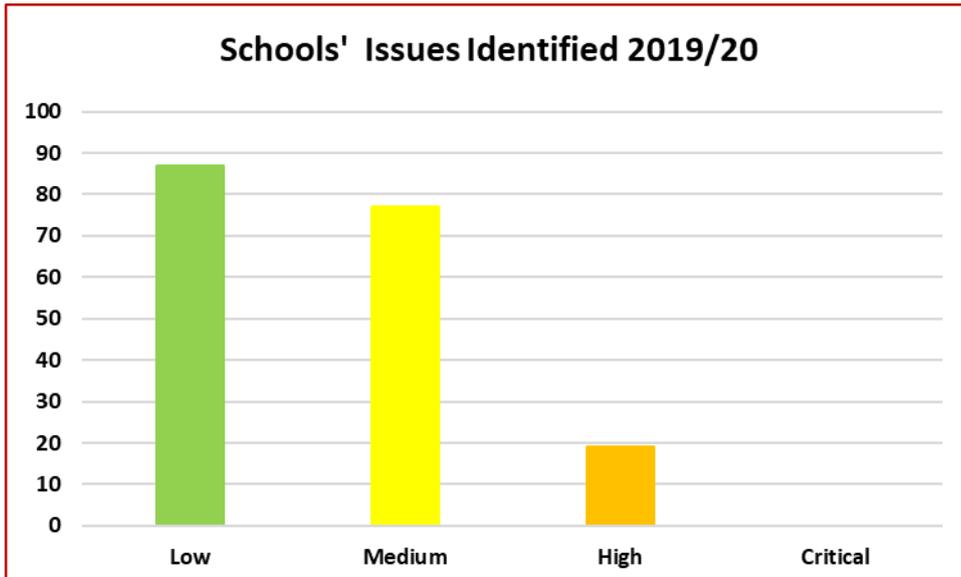
Analysis of audit assurance opinions for each of the Council's Departments is provided in the following chart:



In total, 344 actions for improvement have been discussed and agreed with management, including 51 addressing high risk findings. The Corporate issues are broken down by Department in the following chart:



The breakdown of Schools' issues is below:



No critical issues were identified during the year (2018/19-1).

Section III: Key Themes Identified

During 2019/20 there has continued to be a good level of engagement between Internal Audit and senior management, which has enabled the Internal Audit team to focus on key areas of risk as well as work closely with management to formulate actions to address areas where improvement is required.

Although we have identified some areas of good practice, it is clear from the results of our audits that there is a downward trend in terms of audit assurance.

Some area where we have identified areas for improvement are:

- **Governance arrangements**

Several areas were identified where further improvements are required to strengthen the governance environment. In particular, we found that across both the Council and Schools compliance with the Council's Contract Procedure Rules is not strong.

Additionally, improvements can be made in project management, both in IT and generally. As many organisations do, the Council does not sufficiently forecast or account for benefits or disbenefits arising from projects.

Following the move to a more self-service model, we have found that often managers are not given the tools or skills to properly carry out their new roles. This combined with a lack of review of compliance means that the risk of fraud is increased.

- **Key Financial Processes**

In 2019/20, we changed our approach to auditing key financial processes. Previously we used the Continuous Audit Monitoring (CAM) approach developed by PwC. However, after using this approach for a number of years, we deemed it no longer fit for our purpose as it focuses on the same area year after year. As an alternative we carried out a series of in depth audits of key financial processes. Due to the number of these processes, the in-depth audits are spread across two financial years.

In general, this approach has found that there is opportunity to strengthen key processes, with serious control failings in some areas. These issues have been a management priority to address.

- **Risk management**

The Audit and Risk Management Service continues to embed risk management into the organisation.

A revised Risk Strategy was implemented, together with a Risk Operational Plan during 2020/21. These have both been presented to the Audit and Risk Management Committee in a separate paper and are beginning to be embedded across the Council.

Other Risk Management improvements during 2019/20 are:

- A Risk Management Group has been convened with a view to providing an effective link between the Risk Management team and other Council teams
- New risk registers have been developed as the need arises. Two significant risk registers during the year were:
 - Brexit Risk Register – to support the work of the Brexit Panel
 - Covid-19 Risk Register – to support the work of the Silver and Covid-19 Enfield Recovery groups
- The Corporate Risk Register is now well embedded, is reviewed regularly and is presented at each Audit and Risk Management Committee meeting.

However, a review by PwC gave the Council's Risk Management environment a *Limited* assurance level. It is recognised that although there are some areas of good practice, risk management and risk registers are not sufficiently embedded in the Council.

Internal control

The reviews where significant areas for improvement were identified are summarised in the following table. Five *No* assurance opinions were issued in 2019/20 and 19 *Limited* assurance opinions were also issued.

A summary of these reports is in the following table:

Dept.	Audit	Assurance Level	Actions			
			Critical	High	Medium	Low
Place	Homelessness	No	-	3	4	-
Place	Facilities Management of Youth Centres	No	-	3	7	-
Resources	General Ledger (SAP)	No	-	4	1	-
Resources	Part Owned Companies	No	-	4	3	-
Schools	Oakthorpe Primary School	No	-	4	9	3
CEX	IR35	Limited	-	2	4	-
Cross Cutting	Equalities	Limited	-	3	1	-
Cross Cutting	Risk Management	Limited	-	1	2	-
Cross	Contract Management	Limited	-	2	3	-

Cutting						
Place	Management of Temporary Accommodation	Limited	-	-	4	2
Place	Meridian Water – Consultancy Spend	Limited	-	1	2	-
Place	Meridian Water – Project Governance	Limited	-	1	5	1
Resources	Payroll	Limited	-	2	1	1
Resources	Procurement Cards	Limited	-	1	5	-
Resources	Accounts Receivable	Limited	-		5	1
Resources	Financial Assessments Team	Limited	-	2	4	1
Resources	IT Project Delivery	Limited	-	1	4	2
Schools	Bishop Stopford's School	Limited	-	2	6	9
Schools	Honilands Primary School	Limited	-	3	8	3
Schools	Southbury Primary School	Limited	-	2	4	4
Schools	St John and St James CE Primary School	Limited	-	2	11	7
Schools	Suffolks Primary School	Limited	-	3	4	8
Schools	Highlands School	Limited	-	1	7	6
Schools	Merryhills Primary School	Limited	-	2	9	4

Details of key findings from these audits are provided in **Appendix 4**.

Section IV: Internal Audit Quality Assurance

Internal Assessment

Internal assessments comprise both ongoing reviews and periodic reviews. Reports of internal assessments are presented to the General Purposes Committee (formerly to the Audit and Risk Management Committee) on at least an annual basis, together with an action plan to address any areas for improvement, if necessary.

External Assessment

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that an external assessment of the Internal Audit function is conducted every five years by a qualified and independent assessor from outside the organisation. Such an assessment was carried out in 2019/20 by the Chartered Institute of Public Finance and Accountancy and the conclusion from this examination was:

Partially Conforms

From the evidence reviewed as part of the External Quality Assessment, it is apparent that Enfield's Internal Audit is a respected service that is working to improve its overall efficiency, effectiveness and conformity to the standards. It is effective, taking a considered and steady approach to making changes and introducing improvements. The team provides an independent and objective risk-based internal audit service to Enfield Council. There are opportunities to improve and develop its operations that it should embrace to enhance its status and increase its conformity to the PSIAS and the Local Government Application Note (LGAN).

During this review, we did not identify any areas of non-compliance with the Standards that would affect Internal Audit's ability to operate. We have, however, identified a number of areas of partial compliance with the PSIAS and LGAN and some areas where conformance with the Standards could be enhanced. We have made recommendations and identified opportunities to achieve this improvement.

On this basis, it is our opinion that Internal Audit for Enfield Council PARTIALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note.

An internal audit service's conformance with the PSIAS and LGAN falls into one of the three categories shown below. Further details on each of these categories can be found in section eight of this report.

Conforms	Partially Conforms	Non-Conforming
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Internal QA: Policy and Technical Section, CIPFA, January 2020

Further detail of this review is given in **Appendix 5**.

Internal Audit Performance during 2019/20

The performance of the Internal Audit service has been measured during 2019/20 and is shown in the following table:

KPI/Quality Metric	Target	Actual
Audit plan to be delivered to draft report stage by 31 March	95%	93%
Days from end of fieldwork to issue of draft report	15 days	20 days
Days from receipt of management comments to issue of final report	10 days	8 days
Survey responses	80%	90%
Terms of reference reviewed and approved by the Head or Deputy Head of Internal Audit and Risk Management	100%	100%
Supervision of engagements	100%	100%
Draft report reviewed and approved by the Head or Deputy Head of Internal Audit and Risk Management	100%	100%
Final report reviewed and approved by the Head or Deputy Head of Internal Audit and Risk Management	100%	100%

Although the results of survey responses received are pleasing, the team is disappointed not to have met two of its key metrics. Steps are already in place to improve this performance in 2020/21.

Appendix 1: Detailed Analysis of 2019/20 Internal Audit Reviews

Chief Executives

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Audit of the accounts of the Mayor of Enfield's Charity Appeal Fund	In House	Complete	N/A – Management Letter	-	-	-	-	-
Complaints Handling	In House	Complete	Reasonable	-	-	1	1	1
Data Quality	PwC	Complete	Reasonable	-	-	5	2	-
Freedom of Information	In House	Complete	Reasonable	-	-	2	2	1
IR35	In House	Complete	Limited	-	2	4	-	-
Local Transport Capital Funding	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Members' Ethics		Deferred	N/A - Deferred	-	-	-	-	-
Outsourcing of DPO function		Cancelled	N/A - Cancelled	-	-	-	-	-
Part owned Companies Follow-Up	PwC	Complete	N/A – Follow Up	-	-	-	-	-
Recruitment		Deferred	N/A - Deferred	-	-	-	-	-

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Cross Cutting

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Contract Management	In House	Complete	Limited	-	2	3	-	-
Equalities	In House	Complete	Limited	-	3	1	-	-
Organisational Development		Deferred	N/A - Deferred	-	-	-	-	-
Physical access to Council properties		Cancelled	N/A - Cancelled	-	-	-	-	-

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Risk Management	PwC	Complete	Limited	-	1	2	-	-

Schools

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Bishop Stopford's School	In House	Complete	Limited	-	1	6	9	1
Enfield County School for Girls - Schools Direct Grant Certification		Cancelled	N/A - Cancelled	-	-	-	-	-
Highlands School	In House	Complete	Limited	-	1	7	6	6
Highlands School Grant Certification	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Honilands Primary School	In House	Complete	Limited	-	2	9	5	2
Latymer All Saints CofE Primary School	In House	Complete	Reasonable	-	1	3	10	5
Merryhills Primary School	In House	Complete	Limited	-	2	9	4	3
Oakthorpe Primary School	In House	Complete	No	-	4	9	3	3
Oakthorpe School Grant Certification		Cancelled	N/A - Cancelled	-	-	-	-	-
Oaktree School		Cancelled	N/A - Cancelled	-	-	-	-	-
SCITT (Hazelwood School)	PwC	Complete	N/A – Management Letter	-	-	-	-	-
Southbury Primary School	In House	Complete	Limited	-	2	4	8	3
St John & St James CE Primary School	In House	Complete	Limited	-	2	11	7	2
St. Andrew's Enfield CofE Primary School		Cancelled	N/A - Cancelled	-	-	-	-	-
St. Georges Enfield Catholic Primary School	In House	Complete	Reasonable	-	1	4	12	3
Suffolks Primary School	In House	Complete	Limited	-	3	4	8	1
The Raglan Schools	In House	Complete	Reasonable	-	-	7	11	1
Waverley School	In House	Complete	Reasonable	-	-	5	4	8
West Grove Primary School		Deferred	N/A - Deferred	-	-	-	-	-

LATC

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
EIL Business Plan		Deferred	N/A - Deferred	-	-	-	-	-
HGL Refinancing		Cancelled	N/A - Cancelled	-	-	-	-	-
IWE Procurement Process		Cancelled	N/A - Cancelled	-	-	-	-	-
LATC Assets		Cancelled	N/A - Cancelled	-	-	-	-	-

People

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Commissioning (Brokerage) Follow-Up	PwC	Complete	N/A – Follow Up	-	-	-	-	-
Disabled Facilities Grant	In House	Complete	Reasonable	-	-	1	2	-
Early Years Payments	In House	Complete	Reasonable	-	-	2	3	-
Grant Certification Strategic School Improvement Fund (SSIF)	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Guardianship	In House	Complete	Reasonable	-	1	-	1	1
Mental Health	In House	Complete	Reasonable	-	-	2	1	-
Troubled Families Grant Claims April 2019	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Troubled Families Grant Claims May 2019	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Troubled Families Grant Claims June 2019	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Troubled Families Grant Claims July 2020	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Troubled Families Grant Claims August 2020	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Troubled Families Grant Claims September 2019	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Troubled Families Grant Claims October 2019	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Troubled Families Grant Claims November 2019	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Troubled Families Grant Claims December 2019	In House	Complete	N/A – Grant Certification	-	-	-	-	-

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Troubled Families Grant Claims January 2020	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Troubled Families Grant Claims February 2020	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Troubled Families Grant Claims March 2020	In House	Complete	N/A – Grant Certification	-	-	-	-	-

Place

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
BEGIN Grant Certification	In House	Complete	N/A – Grant Certification	-	-	-	-	-
BSOG Survey and Declaration 2019	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Building Council Homes for Londoners/RTB One for One Replacement Scheme	In House	Complete	Reasonable	-	-	2	1	1
Compulsory Purchase Orders	In House	Complete	Reasonable	-	-	4	3	1
Homelessness	In House	Draft report issued	No	-	3	4	-	-
Housing Safety Checks		Deferred	N/A - Deferred	-	-	-	-	-
Land valuations	PwC	Complete	Reasonable	-	-	4	-	-
Management of Lift Maintenance		Deferred	N/A - Deferred	-	-	-	-	-
Management of Temporary Accommodation	PwC	Draft report issued	Limited	-	-	4	2	-
Meridian Water - Consultancy Spend	PwC	Complete	Limited	-	1	2	-	-
Meridian Water - Project Governance	PwC	Complete	Limited	-	1	5	1	-
Planning	PwC	Complete	Reasonable	-	-	2	2	1
SEND Transport	In House	Complete	Reasonable	-	-	5	3	-
Facilities Management of Youth Centres	In House	Complete	No	-	3	7	-	-

Resources

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Accounts Receivable	PwC	Complete	Limited	-	-	5	1	-
Business Partnering Effectiveness		Cancelled	N/A - Cancelled	-	-	-	-	-
Cloud Technology Management		Deferred	N/A - Deferred	-	-	-	-	-
Commercialism	PwC	Complete	Reasonable	-	-	2	1	1
Financial Assessments Team	PwC	Complete	Limited	-	2	4	1	-
Financial Resilience	PwC	Complete	N/A – RAG status applied	-	-	-	-	-
General Ledger (SAP)	PwC	Complete	No	-	4	1	-	-
General Ledger – Follow up		Deferred	N/A - Deferred	-	-	-	-	-
Homecare Quality Assurance - Follow Up	In House	Complete	N/A – Follow Up	-	-	-	-	-
Housing Rents	PwC	Complete	Reasonable	-	-	3	2	-
Income Reconciliation	PwC	Complete	Reasonable	-	1	1	1	-
IT Follow Ups	PwC	Complete	N/A – Follow Up	-	-	-	-	-
IT Project Delivery	PwC	Complete	Limited	-	1	4	2	-
Part Owned Companies	PwC	Complete	No	-	4	3	-	-
Payroll	PwC	Draft report issued	Limited	-	2	1	1	-
Procurement Cards	In House	Complete	Limited	-	1	5	-	-
Resourcing and management of Trading Companies	PwC	Complete	Reasonable	-	-	4	1	-

Appendix 2: Assurance Levels and Risk Ratings

Level of assurance	
Substantial 	No significant improvements are required. There is a sound control environment with risks to key service objectives being well managed. Any deficiencies identified are not cause for major concern.
Reasonable 	Scope for improvement in existing arrangements has been identified and action is required to enhance the likelihood that business objectives will be achieved.
Limited 	The achievement of business objectives is threatened and action to improve the adequacy and effectiveness of the risk management, control, and governance arrangements is required. Failure to act may result in error, fraud, loss or reputational damage.
No 	There is a fundamental risk that business objectives will not be achieved, and urgent action is required to improve the control environment. Failure to act is likely to result in error, fraud, loss or reputational damage.

Risk rating	
Critical 	<p>Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance. Mass strike actions etc.</p> <p>Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers.</p> <p>Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members & SMBs are required to intervene</p> <p>Major financial loss – Significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council; Critical breach in laws and regulations that could result in material fines or consequences</p>
High 	<p>Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff. Significant impact on the reputation or brand of the organisation; Scrutiny required by external agencies, Audit Commission etc. Unfavourable external media coverage.</p> <p>Noticeable impact on public opinion</p> <p>Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome med – term difficulties High financial loss Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences</p>
Medium 	<p>Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff.</p> <p>Moderate impact on the reputation or brand of the organisation; Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage.</p> <p>Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service action will be required.</p> <p>Medium financial loss - Small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences</p>
Low 	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale Internal Review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation. Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Minimal financial loss - minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequence.</p>

Appendix 3: Changes to the 2019/20 Plan

The Council's Internal Audit Plan is flexible to ensure that the audit resource available is focused on the key risk areas. Therefore, reviews have been removed or added to the Plan during the year. The changes have not impacted on the level of assurance that has been obtained over key risks across the Council. The table below sets out the key changes to the 2019/20 Internal Audit Plan.

Area	Audit	Change	Explanation
CEX	Member's Ethics	-1	Deferred to 2020/21
CEX	Outsourcing of DPO Function	-1	Function was retained in house for 2019/20
CEX	Part Owned Companies Follow Up	+1	Follow up review of 2019/20 no assurance audit
CEX	Recruitment	-1	Deferred to 2020/21
Cross Cutting	Organisational Development	-1	Deferred to 2020/21
Cross Cutting	Physical Access to Council Properties	-1	Separate review undertaken
Schools	Enfield County School for Girls – Schools Direct Grant Certification	-1	Not required by client in 2019/20
Schools	Oakthorpe School Grant Certification	+1	Requested by Headteacher
Schools	Oakthorpe School Grant Certification	-1	Not required by client in 2019/20
Schools	Oaktree School	-1	Agreed with Education Team and Headteacher
Schools	St. Andrews Enfield CofE Primary School	-1	Agreed with Education Team and Headteacher
Schools	SCITT (Hazelwood School)	+1	Headteacher request
Schools	West Grove Primary School	-1	Agreed with Education Team and Headteacher
LATC	EIL Business Plan	-1	Not required due to business changes
LATC	HGL Refinancing	-1	Internal rather than external refinancing
LATC	IWE Procurement Process	-1	Not required due to IWE being brought back inhouse
LATC	LATC Assets	-1	Not required as assurance given by external auditors
People	Commissioning (Brokerage) Follow Up	+1	Client request to follow up 2018/2019 audit
People	Grant Certification Strategic School Improvement Fund (SSIF)	+1	Grant certification requested by the project lead
Place	Housing Safety Checks	-1	Deferred to 2020/21
Place	Management of Lift Maintenance	+1	Client request
Place	Management of Lift Maintenance	-1	Deferred to 2020/21
Place	BSOG Survey and	+1	Department for Transport requirement

Area	Audit	Change	Explanation
	Declaration 2019		
Resources	Business Partnering Effectiveness	-1	Deferred to 2020/21
Resources	Cloud Technology Management	-1	Deferred to 2020/21
Resources	General Ledger Follow Up	+1	Management request
Resources	General Ledger Follow Up	-1	Deferred to 2020/21
	TOTAL	-11	

Appendix 4: 2019/20 No and Limited Assurance Audits

Audit	Assurance	Detail
Homelessness	No	<p>This review identified three <i>high risk</i> and four <i>medium risk</i> findings.</p> <p>An overview of the Homelessness Service ('the Service') was undertaken in order to provide assurance that there were appropriate controls in place to confirm that the Homeless Reduction Act (HRA) is in being implemented and the Council is eliminating homelessness across the Borough.</p> <p>The following <i>high-risk</i> findings were identified:</p> <p>1. Data Quality</p> <p>In January 2019, the HOPE system was introduced as the central recording system to support data collection and reporting.</p> <p>During the audit we noted that initially there were problems with populating HOPE accurately and this resulted in the 2019/20 first quarter statutory return being submitted to MHCLG inaccurately.</p> <p>Following the audit and by the time of the 2019/20 full year-end statutory return, these errors had been corrected and the full year MHCLG submission was correct.</p> <p>2. Over 56 Days Relief Duty Project</p> <p>Management were aware that there were over 600 cases where applicants had been placed in temporary accommodation without a decision as to whether the Council owed a duty to the applicant. The timescales on these cases ranged from 56 days to 2,603 days. 233 cases were in temporary accommodation for a period over one year. We were informed that a team had been recruited to deal with the backlog and had been tasked to clear the backlog by 31 March 2020. At 27 March 2020, 181 (30%) cases were still outstanding.</p> <p>3. Management Information and Reporting</p> <p>Lack of clear performance indicators made monitoring and reporting of management information ineffective, as we were unable to determine whether the Service was delivering its expected outcomes.</p>

Audit	Assurance	Detail
		<p>Although reports were produced, they were not fully complete and therefore did not provide robust management information.</p> <p>The following <i>medium risk</i> findings were identified:</p> <p>1. Case Management</p> <p>Case management supervision was carried out. However, the quality of information recorded by caseworkers to support decisions made was not consistently robust.</p> <p>2. Training</p> <p>The training programme that was set to be delivered during 2019/20 was not delivered. In 2018/19, some aspects of the programme were delivered, but only partial information relating to this was retained as part of the Service's records.</p> <p>This lack of training is concerning given the importance of adhering to the legislative requirements, the need for complete and accurate reporting and the backlog of cases identified. A fully resourced, experienced and skilled workforce is important to meet the demanding needs of the Service.</p> <p>3. Policies and Procedures</p> <p>An up to date suite of policies and procedures was not in place covering all of the different customer journeys within the Service. Therefore, staff do not have access to a central reference point to which they can refer; duties may be performed inconsistently and inefficiently and there may be duplication or omission of key activities resulting in reduced effectiveness of the Service.</p> <p>4. Central Records</p> <p>Service records were not stored in a central location and therefore upon request, information was provided from staff personal email accounts. Examples of this included training records, performance reports and notes taken from operational and strategic meetings. This information should be accessible to staff in line with their management responsibilities.</p>

Audit	Assurance	Detail
Facilities Management of Youth Centres	No	<p>This review identified three high risk and seven medium risk findings.</p> <p>The following <i>high-risk</i> findings were identified:</p> <ul style="list-style-type: none"> • Public Liability Insurance: Due diligence checks are carried out prior to a booking being confirmed with an external hirer. However, the Council doesn't confirm that all its external long-term hirers have appropriate public liability insurance in place, and this is not a requirement of the terms and conditions of hire. • Corporate Landlord Responsibilities: The Council has an obligation to carry out statutory checks and service compliance checks as part of its duty as a corporate landlord. A compliance report highlighted that only four of the nine statutory checks and only two of the seven service checks were completed on time. • Policies and Procedures: A comprehensive suite of policies and procedures was not in place. <p>The following <i>medium risk</i> findings were identified:</p> <ul style="list-style-type: none"> • Planned Preventative Maintenance (PPM) Programme: A PPM Programme is not in place for any youth centre. This affects the ability of the Council to effectively plan and monitor checks required under its Corporate Landlord responsibilities. • Partnership Agreements: Only three of the nine partnership agreements were signed by both parties; the partnership agreement stated that a lettings agreement would be signed between a Council officer (i.e. not the Council) and the third party; terms and conditions between individual agreements are not consistent. • Reconciliations: Evidence of checks between the Artifax booking system and invoices raised on ASH was not retained. • Booking Forms & Key Holder Training: The terms and conditions of hire are not consistent between the youth centres; booking forms were not signed by both parties; appropriate key holder training has not been undertaken. • Hire Charges & Deposits: There was a lack of evidence to confirm how hire charges were

Audit	Assurance	Detail
		<p>calculated; the requirement for deposits from external hirers was not applied inconsistently and there is no overall financial analysis to determine whether the charges levied cover costs relating to the hiring youth centres.</p> <ul style="list-style-type: none"> • Reactive Repairs: Site visits identified multiple defects and also highlighted that there was no maintenance programme in place for any of the youth centre. • Monitoring and Reporting: We noted that the facilities management team has minimal involvement in monitoring third- party organisations' compliance with the partnership agreement, in particular the use and maintenance of the youth centre facilities.
General Ledger (SAP)	No	<p>This review identified 4 high risk and 1 medium risk findings. A recurring issue across our work is the lack of ownership and performance of key general ledger control activities. 4 <i>high risk</i> issues have been raised regarding this, including:</p> <ul style="list-style-type: none"> • Incomplete policies and procedures – The Financial Regulations have not been reviewed since 2012 and there are no supporting policies or procedures for: suspense accounts; control accounts; updating account codes on the system; or month end reporting; • Inadequate review of suspense and control accounts – The Council cannot produce a complete listing of all suspense accounts within SAP and these are not reviewed and cleared down on a periodic basis. The Council has not identified which officers should be responsible for this activity. In addition, control accounts are not being reviewed on a periodic basis and although a listing of owners exists, this is out of date. • Inadequate reconciliations of feeder systems and balance sheet codes – The Council could not provide us with a complete listing of all feeder systems into SAP and therefore it is unclear who is reconciling these. • Inadequate segregation of duties and lack of supporting documentation – Our sample testing identified that journals are consistently uploaded and approved without sufficient and appropriate audit evidence and with inadequate segregation of duties. We note this issue has been outstanding for a significant period of time and was previously raised in the most recent Continuous Auditing and Monitoring report dated December 2018. <p>Our <i>medium-risk</i> finding is:</p>

Audit	Assurance	Detail
		<ul style="list-style-type: none"> • Oversight of Chart of Accounts – The Chart of Accounts is a summary of all account codes in the SAP system. This is not regularly reviewed to ensure it is correct and there is no exception reporting to identify why new account codes are created. • <p>We note that Finance are currently updating Financial Regulations and are implementing a change programme to address the issues identified in this report. This programme was identified in the October 3rd 2019 Closedown Improvement Plan and many of the changes were already being evaluated and planned during the Internal Audit.</p>
Part Owned Companies	No	<p>This review identified 4 high risk findings and 3 medium risk findings.</p> <p>The findings centred around the Council’s internal mechanisms to maintain oversight of the companies and to the allocation of roles and responsibilities at the Council in relation to the oversight of these part owned companies. We also noted that decisions in relation to part owned companies are not made in conjunction with an overall strategic framework.</p> <p>The following <i>high risk</i> findings were identified:</p> <ul style="list-style-type: none"> • Strategic Approach to part owned companies – The Council does not have a clearly defined risk appetite towards part owned companies or an overall strategy as to when part owned companies may be an appropriate vehicle to achieve its objectives, or how they should be set up to do this. Without such a framework, part owned companies might not align with the Council’s overall strategic priorities or the most effective way to deliver these. • Roles and Responsibilities – For each of the three companies, roles and responsibilities within the Council are not clearly defined, in particular regarding the Council’s multiple functions and responsibilities as the shareholder and the customer. In particular, there is no defined body that carries out the shareholder function in practice. Without defined roles and responsibilities, certain functions may not be carried out or there may not be appropriate segregation of duties, leading to poor overall governance and the companies not fulfilling the Council’s intended benefits for the entity. • Investor Level Monitoring of Management Information – There is no clearly defined individual or group within the Council responsible for receiving and monitoring the companies’ management information in the Council’s capacity as a shareholder and for acting in response to this. Without regular monitoring, the Council may not be aware of performance or compliance issues and the companies may fail to achieve their aims or may financially underperform.

Audit	Assurance	Detail
		<ul style="list-style-type: none"> • Enfield Norse Contract Monitoring – Enfield Norse has an Operational Liaison Board responsible for monitoring the contract, with representatives from the Council and from Enfield Norse. However, this board has reported to Enfield Norse’s Board of Directors rather than internally within the Council and there have been instances where the Council has failed to act at key stages in the contract (see the detailed finding for details). This may lead to overpayment by the Council or to a reduced quality of service. <p>The following <i>medium risk</i> findings were identified:</p> <ul style="list-style-type: none"> • Individual Company Strategies – Although Cabinet papers were produced for each of the companies on incorporation setting out the rationale and initial business plan for each of the companies, these documents do not clearly set out roles and responsibilities within the Council for oversight and governance and do not consider a possible exit strategy. In addition, there is no provision for regular consideration of business plans to determine if they remain appropriate and in line with the company’s prior performance, market conditions and the Council’s strategic aims. • Delegation of Authority – There is no systematic framework for the delegation of responsibility from Cabinet to members or officers in regards the Council’s governance and oversight responsibilities for the companies. Without such a framework, effective monitoring may not be possible and timely effective commercial decisions may not be made. • Corporate Governance Arrangements – The Council has limited process in place to influence the corporate governance arrangements at the companies. This includes the process for setting board meeting agendas and for the writing and review of Articles of Association and Joint Venture Agreements. This may inhibit the extent to which the principles of good corporate governance are applied to the companies and limit the extent to which the companies act in the Council’s interests as well as those of their partners.
Oakthorpe Primary School	No	<p>This full audit review identified four high risk, nine medium risk and three low risk findings.</p> <p>We also identified three advisory items for management attention.</p> <p>Given the significant weaknesses identified during this review and the lack of appropriate financial skills and experience demonstrated, we have concerns that the School is exposed to potentially fraudulent activity. Therefore, we intend to further investigate the key issues highlighted in this report.</p> <p>The following four high risk findings were identified:</p>

Audit	Assurance	Detail
		<p>1. Insufficient controls around cash income and related records, which may make the School more susceptible to fraudulent activity. This included:</p> <ul style="list-style-type: none"> • The cash safe insurance limit being exceeded four times between October 2018 and November 2019. In addition, the total cash held in the safe at the time of our review also breached the limit. • Uniform sale records were incomplete, and we were unable to determine if the income received in July 2019 was banked in full due to the lack of records held. <p>2. Weak controls around the security of the School's assets and the maintenance and review of the School's inventory. We were unable to identify which School assets had been loaned to whom, as the loan of asset records were unavailable for inspection at the time of the review. In addition, the School could not account for a number of portable items, which had been recorded as 'missing/stolen'. Also, due to poor recording of asset dates, we were unable to determine how frequently assets were being lost/going missing. Due to the lack of records/information held, together with the lack of inventory checks undertaken, the School is exposed to a greater risk of fraud or loss.</p> <p>3. The School has inadequate building and contents insurance cover in place. This is due to an incorrect valuation figure being used. The School may be under insured by approximately £12m.</p> <p>4. The School has potentially been exposed to fraudulent activity due to a lack of financial expertise, training and support.</p> <p>A further nine medium risk and three low risk areas were also identified.</p>
IR 35	Limited	<p>This review identified two high risk and four medium risk findings.</p> <p>The following <i>high risk</i> findings were identified:</p> <ul style="list-style-type: none"> • The Council has no complete and accurate record of off-payroll workers and no central record of IR35 assessments carried out as required by HMRC • Policies and procedures do not: <ul style="list-style-type: none"> ○ reference IR35 requirements ○ clearly define the meaning of off-payroll workers ○ address Personal Service Companies

Audit	Assurance	Detail
		<ul style="list-style-type: none"> ○ reference the appropriate SAP codes to be used <p>Also, although the policies and procedures emphasise the benefits of Matrix, they do not make it clear that all off-payroll workers must be engaged through Matrix.</p> <p>The following <i>medium risk</i> findings were identified:</p> <ul style="list-style-type: none"> • It might not be possible to ascertain the total cost of off-payroll workers as the appropriate SAP codes have not been communicated across the Council. We were also unable to determine how Finance ensure all off-payroll costs are identified • There is no mechanism in place to ensure that off-payroll workers engaged outside of Matrix are reassessed on a regular basis • When new vendors are set up, no consideration is given as to whether the company is a Personal Service Company or not • No formal IR35 training is in place
Equalities	Limited	<p>This review identified three high risk, one medium risk finding.</p> <p>An overview of the Council’s approach to implementing and embedding practices relating to equalities across the organisation was carried out. This programme has recently commenced and is in the early stages of development.</p> <p>The following <i>high-risk</i> findings were identified:</p> <ul style="list-style-type: none"> • Policy and Action Plan: An Equality, Diversity and Inclusion Policy is in draft. However, an Action Plan has not been developed to clearly show how the Council would strategically and operationally embed the principles of the Equalities Act 2010 (“the Act”) across the organisation. • Monitoring and Reporting: There was insufficient information to confirm how the Council meets its responsibility on external reporting requirements in accordance with section 153 of the Act. Also, no information was provided to confirm that internal monitoring and reporting will be carried out to support requirements under the Act. • Training: A training programme is not in place to ensure that staff have sufficient knowledge and skills to implement the principles of the Act across the organisation.

Audit	Assurance	Detail
		<p>The following <i>medium risk</i> finding was identified:</p> <ul style="list-style-type: none"> • Assessment and Evaluation: We found that there is insufficient guidance for completing, reviewing and approving EQIAs and as a result, an inconsistent approach is taken across the organisation.
<p>Risk Management</p>	<p>Limited</p>	<p>This review has identified one high and two medium findings for management’s attention.</p> <p>Overall, we recognise that there has been good progress to strengthen Risk Management arrangements within the Council this includes: reviewing and updating the Risk Management Strategy; developing a Risk Management Manual; development of a Corporate Risk Register (CRR) and Brexit Risk Register and establishing a Risk Management Group (RMG). These activities are supported by a Risk Management Plan (2019-2021) and completion of actions are tracked by the Senior Risk Officer.</p> <p>However, Risk Management activities have not yet been fully embedded across the Council; as a result, key individuals were not correctly following the Risk Management Strategy.</p> <p>The following <i>high risk</i> finding was identified:</p> <ul style="list-style-type: none"> • Lack of local Risk Registers and inconsistent documentation - Risk Registers are not maintained by all Services at an operational, project and contract level as defined in the Risk Management Strategy. Where Risk Registers were available for testing, we noted an inconsistent approach across the Departments including; non-compliance with the standard Risk Register template, no preparer or reviewer details embedded within the Risk Registers and in some cases no defined risk owner had been identified. <p>The following <i>medium risk</i> findings were identified:</p> <ul style="list-style-type: none"> • Non-compliance with Risk Management procedures – the Risk Management Framework has not yet been fully embedded across the Council. We identified non-compliance with the Framework across the audit due to individuals having a lack of awareness of the Risk Management Strategy as well a poor understanding of key Risk Management activities. • Updates required to Risk Management Strategy and Manual – we noted that the Risk

Audit	Assurance	Detail
		<p>Management Strategy requires updating and there is currently no Risk Management Manual available which outlines the key tasks for Services/Departments.</p>
Contract Management	Limited	<p>This review identified two high risk and three medium risk findings.</p> <p>The main issues arose from the Council not having an accurate contract register, which is the result of non-compliance with Contract Procedure Rules (CPRs) and Procurement guidance by Services. However, there is also inadequate oversight of Services' compliance with the CPRs and Procurement guidance.</p> <p>As a result, the following <i>high risk</i> findings were identified:</p> <ul style="list-style-type: none"> • The contract register was incomplete and inaccurate. Details of the Council's contracts should be updated on the London Tenders Portal (LTP) but our review identified that the current information is inaccurate and incomplete. Services do not regularly update the LTP because they either do not have access to it or are not aware of their responsibility to keep it up to date. • As there is limited central oversight of CPR compliance, non-compliance and poor contract management goes unchallenged and uncorrected. Opportunities to share best practice are also lost. <p>The following <i>medium risk</i> findings were identified:</p> <ul style="list-style-type: none"> • Legal Services does not retain all signed contracts over the value of £75K. This exposes the Council to risks if contractual issues were to arise and details of the contracts were only retained at Service level; especially if details of the contract were retained in personal folders and not accessible to the wider team. • Services were not clear of the requirement to regularly update LTP with contractual information. • Information available to assist with contract management is not readily available to staff.
Management of Temporary Accommodation	Limited	<p>This review has identified four medium and two low risk finding for management's attention. A consistent theme across all of our findings is ensuring that an audit trail is maintained to evidence</p>

Audit	Assurance	Detail
		<p>key decisions, for example: actions arising from budget monitoring; explaining key performance indicators; evidence of review and detailed commentary on the Temporary Accommodation position; and decisions regarding allocations.</p> <p>The following <i>medium risk</i> findings were identified:</p> <ul style="list-style-type: none"> • Policies and procedures - There is no formalised policy and procedure document capturing the end-to-end process for Temporary Accommodation or the associated roles and responsibilities, key controls and overarching governance arrangements for the area. • Supporting documentation - For 2/25 (8%) allocations tested, there was no Booking Form (S184 confirmation) to confirm the Council’s obligation to provide accommodation and for 8/25 (32%) allocations a Suitability Checklist had not been retained. We also found there to be no independent review and approval of allocations to check suitability and validity of the allocation decision and completeness of supporting documentation. • Key performance indicators (KPIs) – The current KPIs are not aligned to the new service model and do not capture service performance, for example there are no KPIs measuring tenancy lengths, eligible placements or time taken to assess tenant and allocate each case. We also found that none of the quarterly KPI reports tested included commentary to explain performance variances as well as changes in performance between each quarter where applicable. • Temporary Accommodation position - Our testing identified that 3,428 Temporary Accommodation properties are currently occupied and 40% of the tenancies are between 1-3 years in length. Six properties have been occupied by their tenants for more than 15 years. The Council reports regularly on the Temporary Accommodation position however we found that the review and investigation is not formally evidenced as detailed commentary or documented actions. Please note that evidence was not provided to Internal Audit during the Review. This finding has since been updated to reflect information received after the Audit. <p>Our <i>low risk</i> finding is:</p> <ul style="list-style-type: none"> • Minutes from Finance Meetings not maintained – Minutes and actions arising from budget monitoring meetings with Finance are not maintained. As a result, agreed actions are not tracked and followed up.

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Meridian Water – Consultancy Spend	Limited	<p>This review identified one high risk and two medium risk findings.</p> <p>The Meridian Water (MW) project regeneration programme has required the Council to conduct a large amount of procurement activity, with consultancy spend now representing a significant cost for the programme. All procurements must be conducted on the London Tenders Portal (LTP) and adhere to the Contract Procedure Rules (CPRs) and Property Procurement Rules, however the Property Procurement Rules only apply when property assets are being procured. Our findings predominately relate to non-compliance with the CPRs and how the current process on the London Tenders Portal can result in an incomplete contract listing. Further, the CPRs do not include a requirement for supplier due diligence to be performed, which increases the risk of business continuity issues arising in the event of a company collapse.</p> <p>The following <i>high risk</i> finding was identified:</p> <ul style="list-style-type: none"> Unclear Supplier Due Diligence Requirements during the Procurement Process – the requirement for performing supplier due diligence during the procurement process is not recorded within the Contract Procedure Rules, and the Council did not indicate whether there was an alternative policy / procedure where the requirement was stated. Supplier due diligence is often limited to basic financial and legal checks, and it is not clear whether due diligence is flexed based on the value and risk profile of each individual procurement (given the lack of procedural documentation). It was unclear whether detailed checklists were in place to assist individuals performing the due diligence. Further, interviews acknowledged that ongoing supplier due diligence activities conducted as part of contract management activities were also limited. <p>The following <i>medium risk</i> findings were identified:</p> <ul style="list-style-type: none"> Non-compliance to the Contract Procedure Rules – sample testing over six procurements which commenced in 2018 / 2019 identified several areas of non-compliance with the Contract Procedure Rules. These included evidence of 1/6 (17%) authority to procure not saved to the London Tenders Portal, 1/6 (17%) copy of the contract not being retained by Legal Services (one sample), 1/6 (17%) nominated contract manager not recorded on the London Tenders Portal, and 1/6 (17%) key performance indicator reviews were not recorded on the London Tenders Portal. Completeness of the London Tenders Portal Register – the final step of the procurement process within the London Tenders Portal ('promote to contracts register') is often not performed,

Audit	Assurance	Detail
<p>Meridian Water – Project Governance</p>	<p>Limited</p>	<p>which increases the risk that the London Tenders Portal contract register is incomplete.</p> <p>This review identified <i>one high risk, five medium risks and one low risk</i> finding for management’s attention.</p> <p>Good progress has been made to get robust governance arrangements in place for the Meridian Water (MW) project. There are various dashboards in place at an individual project level. These dashboards set out different information, for example, project management, financials, risks and milestone planning. The MW project team has also evidenced they meet regularly with the Project Management Team and Programme Board. However, we did find areas for improvement that should be addressed by Meridian Water in the short term to mitigate the risk on any financial and/or reputational damage in the medium/long term.</p> <p>The MW project team should particularly focus on getting a Benefit Management Plan and Key Performance Indicators (KPI) in place to monitor progress against the achievement of defined benefits. The MW project team should also address appropriate actions to increase control and visibility over the resource strategy, roles and responsibilities. Other areas where improvements are required are in relation to the document control and management, for example to strengthen the controls around version control and standardisation of products.</p> <p>The key findings set out in the report highlight the areas which need to be strengthened to help ensure that the MW project team can realise the objectives described in the Vision document.</p> <p>The following <i>high-risk</i> finding was identified:</p> <ul style="list-style-type: none"> • Benefit management plan and KPIs are not in place – There is currently no Benefit Management Plan (including KPIs) in place that sets out how the MW project team is planning to realise and implement the projects benefits. <p>The following <i>medium risk</i> findings were identified:</p> <ul style="list-style-type: none"> • A lack of control and visibility over resource strategy – Despite a high-level resource tracker being in place, there is a lack of clarity over who owns it and has to develop a resource strategy that is fit for purpose to deliver the MW project (e.g. the project or the Council).

Audit	Assurance	Detail
		<ul style="list-style-type: none"> • Roles and responsibilities are not clearly defined – It was noted that roles and responsibilities for the MW project team are currently not clearly documented. • A lack of consistency and accuracy of the Terms of References (ToRs) for the various governance boards/meetings – Although various ToRs for the governance groups were provided, it was noted that no ToR for the MW Management Team meeting was in place and that the ToR for the remaining governance groups were inconsistent and for some the ToR were incomplete, for example, the Executive Board. • A lack of integrated reporting – Fortnightly Management Team meetings and Programme Board meetings take place and performance dashboards are developed for the individual projects. However, it was noted that the programme does not have a clear integrated presentation of its overall performance, for example, total cost and risk exposure. • A lack of version control – It was noted there is a lack of document version control. For example, the version control and date stamp are missing on the MW governance chart, the resource tracker and the various ToRs. <p>The following <i>low risk</i> finding was identified:</p> <ul style="list-style-type: none"> • A lack of transparency and accuracy in the organisational structure – Whilst we acknowledge that a new organisational structure is in the process of being signed off, the organisational chart that has been shared with us is out of date and does not reflect the roles/resource information presented in the resource tracker ‘MW staff November 19’. For example, the resource tracker includes a role title ‘Strategy Delivery Manager’, which is not included on the organisational chart.
Payroll	Limited	<p>This review identified two <i>high</i>, one <i>medium</i> and one <i>low</i> risk findings.</p> <p>Our work identified that the Council has clear procedural documents for officers to follow. However, Payroll reconciliations are not being performed and our sample testing of expenses indicated these are not being adequately reviewed before payment. The Council is also not running periodic exception reports for key areas such as changes to standing data and expenses. The absence of these controls may lead to payroll fraud going undetected.</p>

Audit	Assurance	Detail
		<p>The following <i>high risks</i> findings were identified:</p> <ul style="list-style-type: none"> • Lack of payroll reconciliation - We requested June and December 2019 payroll reconciliations between the accounting system and payroll system; however, it was noted by the Head of Corporate Finance that they are not being completed regularly. The last one was completed in November 2019 with a difference of approximately £800k. • Lack of variation reports – Reports on all changes to standing data, including bank accounts, were not run on a regular basis (despite this being an earlier request from the Counter Fraud team). Whilst we acknowledge that a report is generated highlighting changes by HR Business Partners, this was not provided during the audit. We have since confirmed that from April 2020 standing data change reports are run on a monthly basis and are reviewed and approved by the Exchequer Manager – Payroll. Confirmation of this control implementation was not communicated to Internal Audit until the audit fieldwork had been completed. We have marked this as implemented within the detailed finding below, but as mentioned above testing of the control will be part of a Counter Fraud Review during 2020/21. <p>The following <i>medium risk</i> finding was identified:</p> <ul style="list-style-type: none"> • Lack of an automated expense process - We note that in a 2013/14 audit, it was identified that the expense process required automation. The Exchequer Manager – Payroll has confirmed that the Payroll team are exploring the implementation of an automated process, however this has not yet been possible due to limitations of the system and, as such, the finding remains open. <p>The following <i>low risk</i> finding was identified:</p> <ul style="list-style-type: none"> • Key performance indicators (KPI) – There is a lack of formally documented commentary to evidence that the Payroll team discuss their service-level KPIs with Senior Management.
Procurement Cards	Limited	<p>This review identified one high risk and five medium risk findings</p> <p>Overall, we found that although good controls are outlined in the policies and procedures documentation, these controls are not operating well in reality. This occurs throughout the P Card process from approving individual transactions through to high level review and scrutiny. In view of</p>

Audit	Assurance	Detail
		<p>this, the strategy to increase the number of payments using P Cards may lead to fraud and misuse going undetected.</p> <p>One <i>high risk</i> finding was identified relating to:</p> <ul style="list-style-type: none"> • An absence of any centralised monitoring or any regular reporting to EMT or DMTs. <p>Five <i>medium risk</i> findings were identified. These related to:</p> <ul style="list-style-type: none"> • Policies and procedures being spread across several inconsistent documents that are not easily found on the intranet. • A lack of documented controls over the issue of Purchase Cards • Inconsistency and lack of appropriate documentation in accounting for VAT. • Delays in deactivating card for employees who have left the Council • A lack of independent review of monthly reconciliations; ability for users to code spend to any cost centre without apparent challenge.
Accounts Receivable	Limited	<p>This review identified 5 medium risk and 1 low risk finding.</p> <p>The Accounts Receivable team is part of the Council's Exchequer Services function. The findings noted concerned governance, debt recovery, co-ordination with other teams and management reporting.</p> <p>As part of this review the Internal Audit team also reviewed aging of the Council's debt to assess the impact of the debt recovery process. See below the aging:</p>

Audit	Assurance	Detail							
		Debt type	Total balance £	Total balance overdue* £	Total balance overdue %	Aged over 120 days less than 1 year £	Aged over 120 days less than 1 year %	Over 1 year £	Over 1 year %
		Sundry Debt	27,440,108	24,176,138	88%	3,517,343	13%	9,639,773	36%
<i>Note: *Assumption average payment terms is 30 days</i>									
<p>A high portion of debt is outside the 30 days payment terms (88%), and a significant percentage is aged over 1 year. There is focus on recovering recent debt i.e. less than 1 year old. The balance over 1 year was noted at £9.6m, which is considered a material figure in context of the overall sundry debt (36%).</p>									
<p>The following <i>medium risk</i> findings were identified:</p>									
<ul style="list-style-type: none"> Approach to improve debt recovery and performance evaluation – The Internal Audit team was provided with the Exchequer Services Work Plan to evidence the overarching approach taken within the Accounts Receivable team to improve recovery. There is a single line in the document to establish an improved debt recovery process, but the document does not evidence ‘how’ this will be achieved. Further, there are no measurable aims to improve aged debt figures, for example, KPIs on recovery and percentage of aged debt compared to total debt. As there are currently no clearly defined KPIs and targets there is lack of clarity over the desired performance of the Council’s debt collection function and how effectively it has been during the reporting period. 									
<p>In light of the information detailed in the table above, it would be beneficial to consider the recovery of significantly old balances, aged between 120 days – 1+ years when developing an impactful approach on debt recovery. The total aged balance aged over 120 days is a high proportion of total aged debt 48% (13%+35%). More effective recovery of this would greatly improve the Council’s working capital position.</p>									
<ul style="list-style-type: none"> No periodic review of process documentation - We noted that the Corporate Debt Recovery Policy (dated December 2012) and the Debt Recovery Procedure (dated October 									

Audit	Assurance	Detail
		<p>2016) are not periodically reviewed or updated. Although there have been some changes to the actual working procedure, the changes are not reflected in the latest versions of the documents. Also, the Debt Recovery Procedure lacks clear and set timeframes for recovery procedures after the first attempted recovery.</p> <ul style="list-style-type: none"> A lack of defined procedures to follow up on aged debt – There are no defined criteria for follow-up of debts or standard procedures to be followed. There are no set timeframes for follow ups which can lead to inefficiencies. Once a demand letter is sent out (when the payment deadline passes), the recovery officers wait for a few weeks based on their judgment before sending out another letter or attempting to contact the debtor via phone. This may lead to reduced collection rates and hence financial loss or weaker working capital for the Council. Inadequate follow up and inaccurate aged debt schedules – Testing results identified two instances where debtors had not been contacted for at least 3 months within a 6 months period. This may lead to non-payment and financial loss to the Council or a weaker cash flow position. In addition, two instances of debt schedule inaccuracies were noted. One invoice was disputed but was still included in the aged debt listing and had not been transferred to the disputed invoice listing. In the other instance, a settled invoice was still within the disputed invoice listing and had not been transferred out of accounts receivable schedule. This may lead to inaccurate information being presented to decision makers. Coordination with relevant departments – There is a lack of coordination between the Accounts Receivable team and service teams raising the invoices. Two instances were identified where a Debtor had requested the PO number to make the payment against in April and May 2019 respectively. The Accounts Receivable team contacted the service team to provide the PO number but did not receive a response for three months. The payment was held by the Debtor until the PO number was provided. The total amount for these two invoices was approximately £11,000. A lack of coordination could result in reduced effectiveness of the debt collection process and adversely affect the Council's financial position. <p>There is a significant portion of debt (88%) over the 30 days payment terms. Alternative channels should be explored with the service teams to instil discipline in customers to pay within the agreed payment terms. Lastly, analysis should be performed on late payers to</p>

Audit	Assurance	Detail
		<p>assess a range of sanctions/escalations that can applied. This should be agreed with the customer to ensure expectations are managed appropriately.</p>
<p>Financial Assessments Team</p>	<p>Limited</p>	<p>This review identified two high risk, four medium risk and one low risk finding for management’s attention.</p> <p>The decisions which the Financial Assessment Officer has reached, based on the evidence provided by the customer, are well documented and the timeliness of assessments is improving, despite the difficulty in achieving the KPI of a 21-day turnaround. Evidence was generally retained on the systems appropriately with one low risk finding identified in testing. We found more complex cases could be explained within the Financial Assessments system (CareFirst) action and activities logs. We note that there was a delay in completing the annual assessment in April 2019, this was rectified the following month by taking two direct payments within the month.</p> <p>Our key findings are centred on a lack of a formalised policy and procedures. There is no formalised process to complete certain tasks such as investigating quarterly debt reports and discussing outcomes regularly at management meetings. Additionally, there is a lack of clarity over individual staff responsibilities and the responsibilities of the team as a whole.</p> <p>The following <i>high risk</i> findings were identified:</p> <ul style="list-style-type: none"> <p>A Lack of a Formal Policy, Procedure Document and Clearly Defined Roles & Responsibilities – There is no formalised policy and procedure document in place for the Financial Assessments process, instead the team currently uses information booklets intended for the customer. Due to there being no documentation covering roles and responsibilities, there is a lack of clarity over ownership of key tasks in the Financial Assessments process.</p> <p>A Lack of Monitoring of Aged Debt Balances – There is no formalised process for monitoring aged debt balances. We noted a lack of audit trail evidencing detailed investigation and monitoring of the aged debt reports. Two aged debtors reports are run; one debt report is used for investigating outstanding payments, but this occurs on an ad hoc basis (around every six - eight weeks) and not at set intervals. The second report is produced by the Council’s Exchequer function on a quarterly basis, which covers the debt of the entire Council, including adult social care. It was noted that only the quarter four report is discussed at management meetings and the other quarters are not reviewed or discussed. As at 12th November 2019, the debtor balance of invoices over the 28 day payment period is £10,241,959 – this includes all service users in the</p>

Audit	Assurance	Detail
		<p>CareFirst system who are currently receiving care from the Council or have received support in the past.</p> <p>The following <i>medium risk</i> findings were identified:</p> <ul style="list-style-type: none"> • Overreliance on Key Individuals – It was noted that there was an overreliance on the Team Manager who makes changes in the CareFirst system without any independent or senior review. We noted Officers were unable to operate independently, instead relying on the Team Manager to provide guidance. • No Record of Financial Assessment Changes – Whilst it is the customers’ responsibility to notify the Council when there has been a change in circumstance we found that the Financial Assessments team do not hold a record of changes made to customer assessments. As such, there is no way to monitor and track the timeliness of changes to Financial Assessments. • Timeliness of Assessments – Of a sample of 25 financial assessments, we noted seven exceptions (28%) which had not been completed within 21 days as specified in the KPI. This KPI’s binary way of measuring timeliness is restrictive as it only indicates whether an assessment was completed in time or not and does not provide comprehensive insight over the performance of the department as a whole. The KPI only covers the financial assessment process and does not factor in on-going changes to financial assessments, reassessments, the quality of service provided to the customer or the invoicing process. • A Lack of Formalised Review of Invoices – Invoices are processed on a monthly basis and independent checks are performed over the accuracy of invoice amounts, however there is no formally documented sign off of the review and approval performed. <p>One <i>low risk</i> finding was identified:</p> <ul style="list-style-type: none"> • A Lack of Sufficient Support Documentation – Of a sample of 25 financial assessments, we noted one exception (4%) where the Financial Assessment Officer viewed the customer’s bank account and recorded the savings, but they had not included the last four account numbers as required by the Financial Assessment Form (FAF).
IT Project Delivery	Limited	This review identified one <i>high risk</i> , four <i>medium risk</i> and two <i>low risk</i> findings.

Audit	Assurance	Detail
		<p>Our <i>high-risk</i> finding is:</p> <ul style="list-style-type: none"> • Project Risks: The IT project management tool, Verto, allows users to capture and monitor project risks. However, in 4/6 projects tested there were no project risks on the system. As a result, no project or project office risks have been recorded and monitored on the Resources Departmental Risk Register. This may result in risks which are not appropriately identified and mitigated impacting the achievement of project objectives. <p>The following <i>medium-risk</i> findings were identified:</p> <ul style="list-style-type: none"> • Definition of criteria for determining initiation of a Project or Normal Change: It is good practice to have a defined set of criteria, which is used at the outset, to determine if a piece of work should be managed as a project or part of business as usual activity. These criteria have not been defined, which may result in management not being able to effectively budget, resource and plan for project activities. • Health checks: There is no systematic process in place to monitor compliance with IT project management methodologies, which may prevent the timely identification of project issues. • Benefits Measurement: There is no Benefits Realisation Management Framework (BRMF) to outline how benefits and dis-benefits should be captured and recorded. In 3/6 projects tested, benefits were not captured and tracked increasing the risk of objectives and value for money not being achieved. • Lessons Learned: For six projects selected for testing; of which 4/6 had passed their project end date, we noted that 'lessons learned' exercises had not been performed. This increases the risk of management incurring avoidable costs or delays through repeating issues in future projects. <p>Our <i>low-risk</i> findings are:</p> <ul style="list-style-type: none"> • Scheme of Delegation: The project documentation does not currently refer to the Council scheme of delegation and does not state who needs to approve projects at different cost

Audit	Assurance	Detail
		<p>points. As a result, project budgets may not be subject to appropriate oversight and sign off.</p> <ul style="list-style-type: none"> • Changes to Project Scope: We noted that one project had changes to its scope, however there was no evidence of a change request being prepared and approved for the scope change. This increases the risk of scope creep and may lead to budget overruns.
Bishop Stopford's School	Limited	<p>This follow-up review identified one high risk, six medium risk and nine low risk findings. We also identified one advisory finding for management attention.</p> <p>The last audit of the School was a full audit review, which was completed in January 2019. 25 findings were raised during that review, of which four were high risk, 12 were medium risk, five were low risk and four were advisory findings. We recognise that the School has put effort into addressing the issues raised in the last audit and that there has been an improvement in the control environment at the School, so we have concluded that there has been a positive direction of travel. This has resulted in an overall <i>Limited</i> assurance level.</p> <p>The following high risk was still outstanding:</p> <ul style="list-style-type: none"> – The reconciliation processes for the School's bank account, commercial card and petty cash were found to be insufficient as: <ul style="list-style-type: none"> - Monthly reconciliations for the School's bank account and commercial card were a month behind. We did note these reconciliations were being completed in a timely manner until July 2019. - Four out of five commercial card statements did not evidence that an independent review had taken place - The independent review of petty cash was not being undertaken in a timely manner. - The petty cash held exceeded the £500 petty cash tin limit recorded in the School's Scheme of Delegation. <p>A further six medium risk and nine low risk areas were also identified.</p>
Honilands Primary School	Limited	<p>This full audit review identified two high, nine medium risk and five low risk findings. We also identified two advisory items for management attention.</p>

Audit	Assurance	Detail
		<p>The following two high risk areas were identified:</p> <ol style="list-style-type: none"> 1. The School has inadequate building and contents insurance cover in place. This is due to an incorrect valuation figures being used. Therefore, the School may be under insured by approximately £6m. 2. Required improvements in relation to the School's General Data Protection Regulations (GDPR) processes: <ul style="list-style-type: none"> • to ensue data sharing/processing agreements are in place for all relevant contracts, particularly for the childrens' mental health charity service provider. • to appoint a Governor to be responsible for data protection. • to ensure workbooks to record datasets within the school are fully completed. <p>The following nine medium risk areas were identified:</p> <ol style="list-style-type: none"> 1. A requirement to review and update the Governing Body Organisational Arrangements and the School's Scheme of Delegation (SoD) to ensure they are complete, consistent and appropriate to the School's processes. 2. Improvements are required to the ordering and purchasing processes including ensuring order forms are completed, signed and dated prior to purchases for goods, services and works being made and that orders and invoices are approved in accordance with the School's SoD. 3. A requirement to ensure that the Council's Contract Procedure Rules (CPRs) are followed when entering into or renewing contracts and that signed contracts, signed by both the School and service provider, are in place. 4. A weakness in the controls around the use and monitoring of commercial, Trade UK and fuel cards. 5. Weakened controls around the approving of agency staff invoices and timesheets, resulting in an overpayment being made for a bank holiday that was not worked. 6. A need to ensure the appropriate checks are undertaken for all new starters prior to employment commencing. 7. A requirement for staff to sign a declaration to verify that they have read and understood the staff Code of Conduct. We noted that just under half of the employees working at the School had not signed the required declaration. 8. A requirement to ensure a business continuity and disaster recovery plan is in place that

Audit	Assurance	Detail
		<p>contains sufficient information to help the continued running of the School in the event of an emergency.</p> <p>9. Weak controls in relation to the School's assets. We noted that evidence of a 2019/20 asset check was not held, the asset register had not been updated when items were relocated, and seven out of 10 items examined did not have a visible security marking.</p> <p>A further five low risk findings were also identified.</p>
Southbury Primary School	Limited	<p>This review identified two <i>high risk</i>, three <i>medium risk</i> and eight <i>low risk</i> findings. We also identified three advisory items for management attention.</p> <p>The following <i>high risk</i> findings were identified:</p> <p>Private Fund: We found several inconsistencies with the Finance Manual for Schools:</p> <ul style="list-style-type: none"> • Bank reconciliations were not carried out on a monthly basis. In line with best practice, this would include itemising reconciling items so that appropriate follow up can take place • There was no clear correlation between bank account balances and the financial records • The 2018 audited accounts did not contain a breakdown of the profit or loss arising from the snack bar <p>Additionally, we noted several cheque numbers had not been included in the cash book which is not in line with best practice</p> <p>Contracts: We were unable to confirm that the Governing Body had sufficient information to guide them in awarding contracts. There was lack of evidence in the Governing Body minutes regarding decisions to award the contracts and that the required number of quotations were sought in line with the Contract Procedure Rules (CPRs).</p> <p>The following <i>medium risk</i> findings were identified:</p> <ul style="list-style-type: none"> • We found several exceptions relating to the School's governance arrangements including: <ul style="list-style-type: none"> ○ Delegated authorities for several areas were not included in the School's Scheme of Delegation ○ Appropriate approval and referencing of the Organisational Arrangement document was not completed by the Governing Body.

Audit	Assurance	Detail
		<ul style="list-style-type: none"> Insufficient control around the School's ordering and purchasing processes. The School's asset register was not centralised, had insufficient details recorded and the assets were not consistently security marked to act as a deterrent to theft.
St. John and St. James CE Primary School	Limited	<p>This review identified two <i>high risk</i>, eleven <i>medium risk</i> and seven <i>low risk</i> findings. We also identified two <i>advisory</i> items for management attention.</p> <p>Two high risk findings were identified, which related to:</p> <ul style="list-style-type: none"> Non-adherence to the Council's Contract Procedure Rules (CPRs) in the procurement of services. The School's private fund account not being audited for five years, despite a requirement to do so annually. In addition, following the previous audit we were advised that the private fund audit was in progress. However, no documentation was provided to confirm this.
Suffolks Primary School	Limited	<p>This review identified 15 findings in total of which there were, three high risk, four medium risk and eight low risk findings. We also identified one advisory item for management attention.</p> <p>The following <i>high risk</i> findings were identified and related to:</p> <ul style="list-style-type: none"> Three leases financing the purchase of Chromebooks by parents either outright or on a repayment scheme. We were unable to confirm that: <ul style="list-style-type: none"> appropriate advice and approval had been obtained before entering into the arrangements the leases provide best value for money for the School and for parents the full costs of the scheme have been analysed and understood The Council's CPRs not being adhered to when entering into, or renewing, contracts and not having signed agreements between the School and its service providers in place. The absence of a data sharing agreement with a charity providing mental health services to the School - a GDPR requirement.
Highlands School	Limited	<p>This review identified one high risk, seven medium risk and six low risk findings. We also identified six advisory items for management attention.</p>

Audit	Assurance	Detail
		<p>The following high risk area was identified:</p> <ul style="list-style-type: none"> • The School's Management Information System has active user accounts for people no longer connected to the school, or in some cases, who are not known to the school. <p>The following seven medium risk areas were identified:</p> <ul style="list-style-type: none"> • A requirement to review and update the School's Scheme of Delegation to ensure it is complete and appropriate to the School's processes. • Improvements required to the ordering and purchasing processes: <ul style="list-style-type: none"> ○ to ensure all expenditure is supported by a pre-authorised order. ○ quotes obtained are attached to the order to evidence that the CPRs have been complied with. ○ invoices are certified in accordance with the School's scheme of delegation. ○ invoices are paid within 30 days, unless under dispute. ○ all expenditure over the Senior Leadership Team's delegated limit of £10,000 is appropriately authorised. • A requirement to ensure that the Council's CPRs are adhered to when entering into or renewing contracts or leases and that signed agreements are in place between the School and its service providers. • Weakened controls around the pre-authorising of Commercial card expenditure. • A need to ensure dates on viedpay forms are consistent with the School's records to reduce the risk of incorrect payments. • Required improvements in relation to the School's General Data Protection Regulations (GDPR) processes: <ul style="list-style-type: none"> ○ to appoint a Governor to be responsible for data protection. ○ to ensure workbooks to record datasets within the school are fully completed. ○ to ensure data processing agreements are in place for all relevant contracts. • A requirement to ensure loaned equipment to staff and between faculties is being appropriately recorded and authorised. <p>A further six low risk findings were also identified.</p>
Merryhills Primary School	Limited	We identified 18 findings, of which two were high risk, nine were medium risk, four were low risk. We also identified three advisory items for management attention.

Audit	Assurance	Detail
		<p>The following high-risk findings were identified:</p> <ol style="list-style-type: none"> 1. There are inadequate processes in place around expenditure orders, where orders are raised retrospectively and where the School is unable to evidence that: <ul style="list-style-type: none"> • The Headteacher has approved the expenditure prior to the purchase being made. • Costs are appropriately and promptly committed to the finance system, ensuring reporting to Governors and the Council is accurate. • There is an appropriate three-way match between the order, goods receipting, and the invoice received. • Invoices are paid within 30 days. 2. Pre-employment checks, including one DBS check, were not in place prior to the new employee's start date.

Appendix 5: 2019/20 Public Sector Internal Audit Standards Review

Standard	Compliance	Observations	Recommendations
Mission	Partially Conforms	The Audit Charter does not quote the mission statement, but it refers to the majority of its elements as required by the revised (2017) PSIAS. However, the objective of protecting the organisation is not expressed.	Add the mission statement or include a reference to protecting the organisation to the Audit Charter.
Core Principles of Internal Audit	Partially Conforms	A number of observations have been made that will improve conformity to the Core Principals, especially regarding making the alignment to Enfield's strategies, objectives and risks more overt and supporting improvements over time. These are set out in detail below under the relevant Standards.	
Code of Ethics	Conforms	Internal Audit conforms to the Code of Ethics for Internal Auditors and the Seven Principles of Public Life. Clients all said that auditors are independent and objective, carrying out their work with integrity. However, audit staff did not all recognise the activities that they perform to meet the requirements of the Code of Ethics.	Routinely remind audit staff of the importance of the Code of Ethics and the Principles of Public Life and the activities that audit performs to meet their requirements.
Attribute Standards			
1000 Purpose, authority and responsibility	Partially Conforms	The Charter sets out the nature and purpose of the audit service and the PSIAS and LGAN set out what should be included in it. Enfield's Internal Audit Charter does not include: <ul style="list-style-type: none"> • A definition of the nature of assurance services 	Revise the Charter to include the mandatory requirements

Standard	Compliance	Observations	Recommendations
		<ul style="list-style-type: none"> • A definition of the nature of consultancy services • Recognition of the Core Principles • The arrangements for appropriate resourcing • The role of audit in fraud-related work 	
1100 Independence and objectivity	Partially Conforms	<p>All interviewees stressed the independence and objectivity of auditors (but see the comments against the Code of Ethics) and auditors all signed declarations of interests annually. The CAE has roles that fall outside internal auditing (risk, fraud and insurance). Standard 1112 requires safeguards to be in place to ensure independence when these areas are audited and Standard 1130.A2 says that these audits should be overseen by someone outside internal audit. Standard 1010 requires that these arrangements are set out in the Charter. Standard 1130.A1 says that internal auditors should not provide assurance services for an activity where they had responsibility in the past year. There are no arrangements in the Audit Manual to rule this out although this is considered in audit planning</p>	<p>Consider requiring auditors to sign declarations of interest at the start of every audit</p> <p>Include in the Charter safeguards to ensure the independent audit of those non-audit activities under the control of the CAE and raise these matters with the Audit and Risk Committee</p> <p>Include arrangements in the Audit Manual to ensure audit independence when auditors are reviewing areas where they previously worked</p>
1200 Proficiency and due	Partially	The CAE has not completed the final steps to obtain her	The CAE must complete her

Standard	Compliance	Observations	Recommendations
professional care	Conforms	CIPFA qualification: it is a requirement that the CAE be professionally qualified. Audits are planned and undertaken with care and the team buys in expert support for specialist audits. Audits are risk-based but there is scope to improve the risk evaluation (see below) and give greater emphasis to fraud risks. In addition, some auditors lacked confidence in evaluating IT risks. The LGAN requires all auditors to undertake a programme of continuing professional development (CPD) and to maintain records of these activities. Training in audit is not formalised to this extent at Enfield.	CIPFA qualification Share audit terms of reference with the fraud prevention officer for her to advise on potential fraud risks to include in the audit Provide additional training and/or guidance on basic IT auditing See R11 Maintain a formal training needs assessment and require all auditors to maintain CPD records.
1300 Quality assurance and improvement programme (QAIP)	Conforms	The CAE undertakes an annual QAIP, which is summarised in the Annual Report. However, the reviews are done internally and do not include, as required in standard 1311, others within the organisation with knowledge of internal audit (for example members of the Assurance Board and regular auditees)	Periodically (at least once every five years) involve others within the organisation with knowledge of internal audit in QAIPs Include more information about the QAIP in the Annual Report, in particular who performed the review, action plans and progress against these
Performance Standards			
2000 Managing the internal audit activity	Partially Conforms	The annual audit plan and the Audit Charter are presented to the Audit and Risk Committee as a single item, with a cover report. Together, these three documents cover the areas required by the Standards in relation to audit planning, but the audit plan is incomplete without these additional papers. The annual plan is risk-based but this is a qualitative judgement and does not seek to prioritise	Amend the annual plan presented to the Audit and Risk Committee to: • Include risk scores (a high/medium/low indication would suffice) against each audit in the

Standard	Compliance	Observations	Recommendations
		<p>individual audits. This makes it difficult for those reviewing the plan (officers and the Audit and Risk Committee) to form a judgement about audit priorities or challenge the risk assessment. The plan does not overtly link to Enfield's risk registers nor to how national and local issues will be addressed. The plan as presented to the Audit and Risk Committee does not include time for follow ups, nor any consultancy, contingency or management time; it is just a plan of the assurance activities. The full extent of the resources needed to undertake audit's activities is not, therefore, clear. The annual audit plan refers to making use of other sources of assurance, but gives no details about the source, nature or value of those assurances.</p>	<p>annual plan</p> <ul style="list-style-type: none"> • Be more overt about how the audit plan addresses local and national issues and risks • Include all audit activities in the annual plan to show the breadth of the work to be undertaken, the resources necessary and how that resources judgement is reached • Give greater detail about other sources of assurance on which the CAE relies, in particular, who is providing the assurance, what it is and the value that can be placed on it.
<p>2100 Nature of work</p>	<p>Conforms</p>	<p>Internal audit is generally covering the right areas, addressing governance, risk and control. However, audit work would be strengthened by addressing ethical and fraud risks robustly in all relevant audits (Standards 2001.A1 and 2120.A2 respectively), carrying out audits of risk management arrangements routinely and in all relevant audits (Standard 2120) and ensuring that Enfield's strategic objectives are built into audit plans (Standard 2120.A1)</p>	<p>Broaden coverage of some of the key audit areas by:</p> <ul style="list-style-type: none"> • Ensuring that ethical and fraud risks are considered in every audit, explicitly ruling them out if they are not relevant • Checking risk management arrangements when examining organisational risk registers to identify risks to audit against <p>See also O2 Explicitly link audit work to the achievement of Enfield's objectives by highlighting the relevant objectives in audit terms of reference and reports</p>

Standard	Compliance	Observations	Recommendations
2200 Engagement planning	Partially Conforms	<p>Audit terms of reference are detailed and long while still not including all the information that is required by the standards. Moving background information on the audited service to an appendix would be an improvement. The terms of reference do not always clearly include:</p> <ul style="list-style-type: none"> • The link to strategic objectives • How the audit is going to add value <p>Audit terms of reference are all risk focussed, but the risks that are identified are mostly operational and/or compliance risks, reducing the opportunities for internal audit to support the delivery of strategic objectives, improve risk management and, more generally, add value. In addition, the way in which internal audit describes and scores risks is not aligned to the approach taken in the risk management framework, potentially leading to confusion and reducing the opportunities to embed risk management in all of Enfield's activities.</p>	<p>Consider ways to reduce the length of terms of reference, by putting some details into an appendix Improve the terms of reference to show how the audit will add value See also R9 Work with the risk officer to develop the risk evaluation on the terms of reference to examine more strategic risks. In addition, align the approach taken to risk in audit and in the risk framework (the way in which risks are described and scored especially).</p>
2300 Performing the engagement	Conforms	<p>Audits are clear and easy to follow and there is evidence of thorough supervision at all stages of the audit.</p>	
2400 Communicating the results	Conforms	<p>Audit reports are clear, accurate and complete. They are, however, long and repetitive. While the reports do recognise satisfactory performance, this is included in an appendix which many auditees do not read.</p>	<p>Look for ways to reduce the length and repetition in audit reports, highlighting the key information near the beginning</p>
2500 Monitoring progress	Conforms	<p>Internal audit takes a structured approach to follow-up audits and all auditees understood the process</p>	
2600 Communicating the	Conforms	<p>Internal audit works with its auditees and through the Assurance Board to ensure that risks are highlighted and</p>	

Standard	Compliance	Observations	Recommendations
acceptance of risks		addressed. There have been no instances of management choosing to accept an unacceptable level of risk.	

Appendix 6: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

- ***Opinion***

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. Therefore, management and the Audit and Risk Management Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

- ***Internal control***

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

- ***Future periods***

Our assessment of controls relating to Enfield Council is for the period 1 April 2019 to 31 March 2020. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate

- ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.