

CHAIRMAN'S INTRODUCTION

I am very pleased to present this Audit Committee Annual Report for 2010/11 to both the Committee and to full Council.

The report shows that the Audit Committee has undertaken its role effectively, covering a wide range of topics and ensuring that appropriate governance and control arrangements are in place to protect the interests of the Council and the community generally.

The introduction of the Annual Governance Statement has increased the corporate role of the Committee within the Council by promoting best practice and demonstrating that Enfield is a well run and efficient authority that takes its governance responsibilities seriously.

I would like to thank all the members who served on the Committee during 2010/11. My thanks also go to Grant Thornton (external auditors) and to Council officers who have supported the work of the Committee and more specifically me in my role as Chairman.

Councillor Dino Lemonides
Chairman

1. TERMS OF REFERENCE AND MEMBERSHIP

The terms of reference of the Audit Committee are set out in the Council's Constitution (see Chapter 2.7 – paragraph 5). Our primary purpose is to ensure best practice in corporate governance and to enable the Council to discharge its fiduciary responsibilities in preventing fraud and corruption and arranging proper stewardship of public funds.

The committee revisited its terms of reference in September 2010 to ensure that the terms of reference were aligned to its current roles and responsibilities. The new terms of reference, which have also been aligned with the core functions of an Audit Committee as recommended by CIPFA, were approved by full Council at its meeting of 10 November 2010.

At our meeting of 25 November 2010 we agreed the option of having independent non voting members on the committee. It was agreed that appointing independent members would bring a wealth of knowledge and experience from outside of local government and would increase transparency, openness and community engagement. On 2 March 2011 Council approved the Committee's recommendation to include two independent non voting members to the committee with effect from 2011/12. Recruitment will take place during autumn 2011.

We met 5 times during 2010/11, in addition to a number of briefing sessions (see paragraph 16).

During 2010/11 our membership was:

Councillor Dino Lemonides Chairman

Councillor Tahsin Ibrahim Vice Chairman

Councillors Yasemin Brett, Dogan Delman, Jonas Hall, Toby Simon, Ann Zinkin and Joanne Laban.

Councillor Joanne Laban replaced Councillor Dogan Delman from 26 January 2011.

2. THE COMMITTEE'S WORK PROGRAMME

We agree a comprehensive work programme each year covering all aspects of our terms of reference. Members have a direct input into the content of this programme which is reviewed and monitored at each meeting. Items can be added if the Committee feels it appropriate.

The work undertaken during 2010/11 fell into five key areas:

- the Internal Audit Plan and the adequacy of the control environment of the Council – a primary role of Internal Audit;
- the relationship with the external auditors of the Council, working together to maximise the contribution to the assurance process;

- the Annual Governance Statement and working across the Council to assess overall governance arrangements;
- Risk Registers, the management of risk relating to the 2012 Games and Risk Management Communications Work Plan;
- specific areas of interest chosen by the Committee – these were the International Financial Reporting Standards (IFRS), Enfield Homes Governance Arrangements, Voluntary and Community Sector Relationship Development & Risk Assessment Process.

Appendix A sets out the work programme of the Committee in 2010/11.

3. THE 2009/10 INTERNAL AUDIT ANNUAL REPORT

In June 2010 we considered the Internal Audit & Risk Management outturn report for 2009/10. This summarised the performance and effectiveness of the Internal Audit section for the year 2009/10.

We received a positive assurance that, in general:

- the systems of internal control continue to be adequate for preventing significant risks of a strategic and operational nature materialising;
- risk management processes continue to be further embedded across the organisation and work has continued to strengthen the risk management arrangements in place with the Council's key partners;
- an Anti Fraud and Corruption strategy is in place which provides a balance of proactive and reactive counter fraud work and has achieved some successful outcomes during 2009/10; and
- that the work undertaken by the Internal Audit team has obtained sufficient evidence to support this opinion.

4. THE INTERNAL AUDIT PLAN 2010/11

The Internal Audit Strategy & Plan 2010/11 was considered at our meeting on 2 March 2010. It represents a key area of interest for the Committee and covered the activities around controls, assurance and governance arrangements within the Council. The plan showed how the resources of the Internal Audit team were to be applied to cover the key controls of the Council and address the risks that the Council faced. Regular reports throughout the year monitored the plan itself or specific aspects of activity around the Council's control environment.

However subsequent to the Internal Audit Strategy & Plan 2010/11 being developed there were a number of changes both national and locally which impacted on the environment in which the Council operates. This led to some significant changes in the Council's risk profile and this, coupled with a reassessment of the available internal audit resources, resulted in revision of the plan in November 2010.

5. INTERNAL AUDIT SERVICE

The Internal Audit & Risk Management division has undergone a period of significant structural and organisational change. The Housing Benefit Investigations Team now works more closely with other teams across the Council to ensure a combined response to tackling fraud within the Borough. The Housing Sub Letting Project has been very successful in reducing unlawful subletting and recovering properties. I also attended the Audit & Risk Management Division's open day to promote the work of the service and to answer any queries staff had.

6. RELATIONSHIP WITH THE EXTERNAL AUDITORS

Representatives of our External Auditors (Grant Thornton) have been regular attendees at our meetings, making a welcome contribution to governance processes within the Council and the development of committee members. We have considered reports on a variety of issues including Managing Risk in Partnership Working, Leasehold Service Charge Audit, Value For Money Conclusion and Certification Report.

In line with the Chartered Institute of Public Finance & Accountancy's 'A Toolkit for Local Authority Audit Committees' the committee has also held regular private discussions with the external auditors and Interim Head of Internal Audit & Risk Management.

Grant Thornton also meet regularly with the Section 151 and Monitoring Officers to discuss and monitor matters of mutual interest.

7. THE ANNUAL GOVERNANCE STATEMENT

In June 2010 we considered the 2009/10 Statement of Accounts which included the Annual Governance Statement.

8. CONTRACT PROCEDURE RULES

At our meeting on 6 January 2011 we considered the 2010 annual review of the Contract Procedure Rules (CPRs) and agreed amendments to improve the 'user friendliness' of the CPRs, strengthen processes and procedures and in particular enhancing contract management. We also reviewed waivers of the Contract Procedure Rules since 1 April 2010.

9. RISK MANAGEMENT

In June 2010 we considered the Council's Corporate Risk Register to enhance the Council's identification and management of its key risks. The Council's Risk Management Strategy follows best practice to help the Council achieve its aims and objectives – "to be Risk Aware not Risk Averse". As part of embedding the risk management process the

Committee agreed to track a risk from the Corporate Risk Register in order to see how it was being managed. The risk selected was 2012 Olympic & Paralympic Games. Consequently we received a report on risks and opportunities in relation to the Games.

The Committee found the tracking of a specific risk to be very helpful in ensuring effective monitoring. We have agreed to select a risk from the Corporate Risk Register for similar tracking next year.

We also considered one departmental Risk Register (Chief Executive's Department).

10. COUNTER FRAUD WORK

In October 2010 the Audit Commission published an update to their report "Protecting the Public Purse". The update, "Fighting Fraud Against Local Government and Local Taxpayers", continued with the themes raised in the original report (a guide for the public sector on fraud risks in the recession with a checklist for those charged with governance) and highlighted three new areas (Personal Budgets for adult social care; Council and Housing Tax Benefits; Procurement) where councils needed to continue to address fraud risks. The Committee was pleased to note that counter fraud work was already being undertaken in the three new areas highlighted. The Committee has also monitored progress in implementing the recommendations arising from the original checklist.

A number of counter fraud projects and initiatives, such as the Audit Open Day and the Fraud & Enforcement Forum, have also been held aimed at improving fraud awareness and management.

11. TREASURY MANAGEMENT STRATEGY STATEMENT & INVESTMENT STRATEGY

In line with the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management and Prudential Indicators, the Committee considered the Treasury Management Strategy Statement & Investment Strategy 2011/12 to 2014/15 at its meeting on 8 March 2011.

12. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Committee were pleased to note that in the opinion of the External Auditors the Council continued to be further ahead than many other councils in preparing accounts in accordance with the International Financial Reporting Standards (IFRS). However, preparation and review of the 2009/10 accounts under IFRS will represent the first major test of the Council's preparations.

13. CHARTERED INSTITUTE OF PUBLIC FINANCE & ACCOUNTANCY (CIPFA) AUDIT COMMITTEE CHECKLIST

CIPFA's 'A Toolkit for Local Authority Audit Committees' sets out a range of suggestions and comments about the operation of an audit committee. Some of the items are considered best practice and some are suggestions on other ways of delivering the function. The Committee complies with the majority of standards set by CIPFA. Actions have been put in place in those areas identified where the Committee does not fully meet the CIPFA standard.

14. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Committee has also received quarterly reports on the Council's use of its powers under RIPA. RIPA aims to ensure that public bodies respect the privacy of members of the public when carrying out their investigations and that there is an interference with privacy only where the law permits it and there is a clear public interest justification. The Council's use of its powers under RIPA and the Communications Order are subject to external scrutiny in the form of annual inspections by the Office of Surveillance Commissioner's Office (OSC) and the Interception of Communications Commissioner's Office (IOCCO) respectively.

15. AUDIT COMMISSION

At the beginning of August 2010 it was announced by the Secretary of State for Communities and Local Government that the Audit Commission was to be disbanded. The details of future arrangements are not yet known in any detail. However, it is clear that whatever form any new arrangements may take they will have an impact on local authority audit committees.

16. TRAINING AND BRIEFING SESSIONS

The following sessions were held during 2010/11:

- Financial position – current, medium term financial plan and actions to address funding reductions
- Statement of Accounts 2009/10
- Business Continuity/Resilience and Emergency Planning

We propose to continue to hold regular update/briefing sessions on issues within our terms of reference throughout 2011/12.

17. WORK PROGRAMME 2011/12

We have agreed our work programme for the current year.

18. CONCLUSION

Overall we feel that we fulfilled our role and responsibilities successfully during 2010/11. Members demonstrated real commitment and engagement in the issues before them. We would like to express our appreciation to staff both within the Council and our External Auditors who have contributed to our work and supported us throughout the year.

Summary of Audit Committee Work Programme 2010/11

Date of Meeting	Report Considered
29 June 2010	<ul style="list-style-type: none"> • Terms of Reference • 2009/10 Annual Statement of Accounts including Annual Governance Statement • External Auditors Audit Approach Memorandum (year ended 31 March 2010) • Corporate Risk Register • Risk Management Communications Work Plan 2010/11 • International Financial Reporting Standards • Internal Audit & Risk Management Division Annual report 2009/10 • Internal Audit & Investigations Progress Report • External Audit Progress Report
9 September 2010	<ul style="list-style-type: none"> • Terms of Reference • Chief Executive's departmental Risk Register • External Auditors report on the 2009/10 Annual Statement of Accounts 2009/10 (ISA 260) • External Auditors report on Managing Risk in Partnership Working • External Auditors report on Leasehold Service Charge Audit • Bribery Act 2010 and Money Laundering Policy Update • Regulation of Investigatory Powers Act 2000 (RIPA) • CIPFA Audit Committee Checklist • Internal Audit & Investigations Progress Report • External Audit Progress Report
25 November 2010	<ul style="list-style-type: none"> • Outcome of Interception of Communications Commissioner's Office (IOCCO) and Office of Surveillance Commissioners (OSC) inspections in relation to Council's use of Regulation of Investigatory Powers (RIPA) • 2012 Games – Risks and Opportunities • Enfield Homes Governance Arrangements • Annual Audit Letter 2009/10 • Value For Money Conclusion 2009/10 • Revised 2010/11 Internal Audit Plan • Protecting the Public Purse – Update • Voluntary & Community Sector Relationship Development & Risk Assessment Process • Independent Members on the Audit Committee • Internal Audit & Investigations Progress Report • External Audit Progress Report
6 January 2011	<ul style="list-style-type: none"> • Council Tax Base 2011/12 • Contract Procedure Rules – Review & Waivers • Regulation of Investigatory Powers Act 2000 (RIPA)

	<ul style="list-style-type: none"> • External Audit Plan 2010/11 • Annual Governance Statement – Action Plan • Internal Audit & Investigations Progress Report • External Audit Progress Report
8 March 2011	<ul style="list-style-type: none"> • Treasury Management Strategy Statement & Investment Strategy 2011/12 to 2014/15 • Regulation of Investigatory Powers Act 2000 (RIPA) • Risk Management update • Revised Accounting Policy for Group Accounts • External Audit Certification Report • External Audit Progress Report • Draft 2011/12 Internal Audit Plan • Internal Audit & Investigations Progress Report