

**Audit Committee
Annual Report
2011/12**

CHAIRMAN'S INTRODUCTION

I am very pleased to present this Audit Committee Annual Report for 2011/12 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.

I would like to thank all the members who served on the Committee during 2011/12. 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 they were aligned to its current roles and responsibilities, as recommended by CIPFA. They were approved by full Council at its meeting of 10 November 2010.

At the meeting of 25 November 2010 we agreed the option of having independent non voting members on the committee. 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. These posts were advertised but we were unable to fill the positions. Recruitment is now planned for the current year.

We met 6 times during 2011/12, in addition to a number of briefing sessions (see paragraph 16).

During 2011/12 our membership was:

Councillor Dino Lemonides Chairman

Councillor Chris Murphy Vice Chairman

Councillors Jonas Hall, Tahsin Ibrahim, Michael Lavender, Toby Simon and Ann Zinkin

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 2011/12 continued to support the following 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 corporate and departmental risk registers, specific risk monitoring and promotion of risk awareness.

Specific areas that the Committee has chosen to focus on this year included – the Contract procedure rules – review and waivers, document retention policy, accounting policy for trading operations, review of financial regulations, support available to schools, whistleblowing policy and an annual review of RIPA policy and procedures.

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

3. THE 2010/11 INTERNAL AUDIT ANNUAL REPORT

In June 2011 we considered the Internal Audit & Risk Management outturn report for 2010/11. This summarised the performance and effectiveness of the Internal Audit section for the year 2010/11.

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
- The work undertaken by the Internal Audit team has obtained sufficient evidence to support this opinion.

4. THE INTERNAL AUDIT PLAN 2012/13

The Internal Audit Strategy & Plan 2012/13 was considered at our meeting on 4 April 2011. 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.

5. INTERNAL AUDIT SERVICE

The committee has continued to monitor the performance of the internal audit service, against the Audit Plan with monitoring updates provided for each meeting of the committee. This follows the Internal Audit & Risk Management division undergoing a period of significant structural and organisational change with the introduction of a co-sourcing arrangement with Price Waterhouse Coopers.

The committee has continued to monitor progress on implementation of the new internal audit system Galileo which will improve performance

management and information on all internal audit activities and management responsiveness to reviews.

6. RELATIONSHIP WITH THE EXTERNAL AUDITORS

Representatives of our External Auditors (Grant Thornton) have continued to attend all 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 Certification of Grants Subsidy and Return of Financial Information, pilot diagnostic health check on collaboration, review of IT controls, data conversion and review of arrangements for implementation of international financial reporting standards

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 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 2011 we considered the 2010/11 Statement of Accounts which included the Annual Governance Statement.

8. CONTRACT PROCEDURE RULES

At our meeting on 4 April 2011 we considered the 2011 annual review of the Contract Procedure Rules (CPRs) and have requested a further update on progress with the review currently being undertaken on the Contract Procedure Rules and use of waivers.

9. RISK MANAGEMENT

In July 2011 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 selected risks from the Corporate Risk Register to see how they are managed. The risks selected this year were potential cyber attack, data protection and IT security. A separate information paper was produced on the Council's Disaster Recovery and Business Continuity plans including IT Security in April 2012.

The Committee found the tracking of a specific risk to be very helpful in ensuring effective monitoring.

We also considered one departmental Risk Register (Regeneration, Leisure and Culture Department).

As part of this the Committee reviewed the National Audit Office good practice guide on “Managing Risks in Government” noting that this had been incorporated within the Council’s Risk Management Strategy.

10. COUNTER FRAUD WORK

The Committee has continued to take a close interest in the work being undertaken by the Counter Fraud Team with updates provided for each meeting on the activity being undertaken in relation to housing and housing benefit fraud and internal fraud. The Committee was pleased to note that:

- Enfield’s Housing Fraud Team were one of the first two in London to have successfully prosecuted a tenant for sub letting.
- Work was ongoing as part of the National Fraud Initiative.

A number of counter fraud projects and initiatives have also been held aimed at improving fraud awareness and management including the successful launch of an e-learning fraud awareness training module aimed at raising staff awareness on fraud and corruption.

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 2012/13 to 2015/16 at its meeting on 4 April 2012.

12. BRIBERY ACT 2010

The Committee received a report on the implementation of the Bribery Act which came into effect on 1 July 2011. The Act consolidates the existing criminal law on bribery but also creates a new corporate offence of failing to prevent bribery. The Committee were informed that the Council was well placed to comply with the act but to ensure they complied in all areas had also set up a working group to refresh and review its policies and procedures.

13. WHISTLEBLOWING POLICY

The Committee received a report on a review which had been carried out to update the Council’s Whistleblowing Policy. The main changes included information on the type of concerns that fell within the policy, clearer detail on who to contact with concerns and how these would be handled, with contact details for concerns that fell outside the scope of the policy.

14. 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).

15. 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.

16. 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.

17. REMUNERATION SUB COMMITTEE

At its meeting on 7 June 2012 the Audit Committee agreed to set up a Remuneration Sub Committee to ensure that the Council had transparent and robust processes on strategic pay policy and practice across the Council.

The sub committee is made up of three members – two from the majority party and one from the opposition. The Chief Executive, as head of paid service, Cabinet Member for Finance and Property and a senior Human Resources officer also attend meetings as non voting members.

The terms of reference were amended by the Audit Committee to include coverage of all elements of the Council's senior management remuneration packages.

In 2012/13 the sub committee met four times and discussed

- Non pay benefits
- Pay relatives
- Hay and performance related pay schemes
- Soulbury provisions

- Termination Payments
- Changes to the Pension Scheme
- Directors and Assistant Directors pay and appraisal scores for 2010/11
- Severance Policy
- Draft Statutory Pay Policy

18. TRAINING AND BRIEFING SESSIONS

The following sessions were held during 2010/11:

- Annual Statement of Accounts
- Financial Operation of Trading Accounts and Schools

We propose to continue to hold regular update/briefing sessions on issues within our terms of reference throughout 2012/13.

19. WORK PROGRAMME 2012/13

We have agreed our work programme for the current year.

20. CONCLUSION

Overall we feel that we fulfilled our role and responsibilities successfully during 2011/12. 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 2011/12

Date of Meeting	Reports Considered
7 June 2011	<ul style="list-style-type: none"> • Remuneration Sub Committee
7 July 2011	<ul style="list-style-type: none"> • Annual Statement of Accounts • Accounts Audit Approach Memorandum – Year ended 31 March 2011 • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA0 • Corporate Risk Register • Review of Information Technology Controls • Data Conversion Review • Review of Financial Resilience • Review of Arrangements for Implementation of International Financial Reporting Standards (IFRS) • Certification Work – Planning Memorandum 2010/11 • Schools Financial Governance Arrangements • 2010/11 Internal Audit Annual Report • Audit Committee Annual Report 2010/11 • Remuneration Sub Committee
28 September 2011	<ul style="list-style-type: none"> • External Auditors Annual Report to those charged with Governance (ISA260) • Enfield Homes – 2010-11 Financial Statements, External Auditors Report and Annual Internal Audit Report • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) Update • The Council's Information Security Position • Bribery Act • National Audit Office Publication – Managing Risks in Government • External Audit Progress Report • 2011/2 Audit Risk Management – Progress Report • Annual Governance Statement 2012/11
17 November 2011	<ul style="list-style-type: none"> • Annual Audit Letter 2010/11 • Revised Accounting Policy for Trading Operations • External Audit Progress Report • 2011/12 Audit and Risk Management Progress Report

<p>12 January 2012</p>	<ul style="list-style-type: none"> • Council Tax Base • External Audit and Inspection Plan 2011/12 • Certification Works Report 2010/11 • Regeneration, Leisure and Culture Risk Register • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) Update • External Audit Progress Report • 2011/12 Audit and Risk Management Progress Report
<p>4 April 2012</p>	<ul style="list-style-type: none"> • Treasury Management Strategy Statement and Investment Strategy 2012/13 to 2015/16 • Draft Financial Regulations • Annual Review of Contract Procedure Rule – Waivers • Whistleblowing Policy – Update • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) Update • Collaboration Report • External Audit Progress Report • Draft 2012/13 Internal Audit Plan • 2011/12 Audit and Risk Management Progress Report