

**Audit Committee
Annual Report
2012/13**

CHAIRMAN'S INTRODUCTION

I am very pleased to present this Audit Committee Annual Report for 2012/13 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 in general.

I would like to thank all the members who served on the Committee during 2012/13. 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 Terms of Reference have been assessed against CIPFA guidance.

We met 6 times during 2012/13, in addition to a number of briefing sessions (see paragraph 16).

During 2012/13 our membership was:

Councillor Dino Lemonides Chairman

Councillor Tahsin Ibrahim Vice Chairman

Councillors Jonas Hall, Ozzie Uzoanya, 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 2012/13 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, Corporate Records management, Debt Management Policy, Review of financial resilience, Public Health responsibilities, Monitoring updates on income collection/action being taken in response to the integrated Children's System (Liquid Logic), Changes to IFRS and governance arrangements, and legislative changes of Regulation of Investigatory Powers Act (RIPA) powers.

Appendix A sets out the work programme of the Committee in 2012/13.

3. THE 2012/13 INTERNAL AUDIT ANNUAL REPORT

In July 2012 we considered the 2011/12 Internal Audit Annual Report. This summarised the work of Internal Audit section for the year 2011/12 and included the Head of Internal Audit and Risk Management's annual opinion on the system of internal control.

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;
- Whilst good progress had been made it was recognised that further work was required, which would be assisted by the introduction of a new follow up process being implemented in 2012/13 providing improved monitoring information and enabling faster escalation, where required.
- The work undertaken by the Internal Audit team has obtained sufficient evidence to support this opinion.

4. THE INTERNAL AUDIT PLAN 2013/14

The Internal Audit Strategy & Plan 2013/14 was considered at our meeting on 19 March 2013. It represents a key area of interest for the Committee and covers the activities around controls, assurance and governance arrangements within the Council. The plan shows how the resources of the Internal Audit team are to be applied to cover the key controls of the Council and address the risks that the Council face. Regular reports throughout the coming year will monitor 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 work undertaken by the internal audit service, as part of the 2012/13 Internal 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 PwC.

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, Accounts Audit Approach Memo, Financial Resilience, Property Disposals, Annual Report to those charged with Governance and Public Health responsibilities.

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 July and September 2012 we considered the 2011/12 Statement of Accounts which included the Annual Governance Statement.

8. CONTRACT PROCEDURE RULES

At our meeting on 20 November 2012 we considered the 2012 annual review of the Contract Procedure Rules (CPRs) and at our meeting on the 19 March 2013 there was a further update on progress with the review currently being undertaken on the Contract Procedure Rules and use of waivers.

9. RISK MANAGEMENT

In January 2013 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".

The Council are managing several significant risks which reflect increased pressures on local authorities like reductions in funding and the potential impact from increased fraud, with appropriate mitigation actions identified. The Committee will continue to monitor progress on this throughout the coming year.

Other risks that had been identified included, non-delivery of significant projects, Information Governance (including IT security) and potential impact from increased fraud. Two new risks around welfare reform and risks around the transfer of relevant public health functions to the London Borough of Enfield, were included. The risk around the potential of not maximising opportunities afforded by the Olympic Games was removed from the Corporate Risk register after the completion of the Games.

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, and outcomes achieved, in relation to housing and housing benefit fraud and internal fraud. The Committee was pleased to note that:

- 30 individuals, including over 10 prosecutions, had received sanctions for benefit fraud.
- Over £576K of fraudulent benefit over payments had been identified.
- 27 council houses had been recovered, with a further 28 recommended for recovery.
- Data matching exercise with the National Fraud Initiative (NFI), Audit Commission & Counter Fraud Team, to identify cases of potential fraud, had resulted in 4,300 high priority matches.
- The Housing Fraud team had identified and were reviewing 342 matches of 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 19 March 2013.

12. INFORMATION GOVERNANCE (JAN 2013)

The Committee received a presentation on the Council's Information Governance and Corporate Records Management Policy which linked into a review of the Council's Information Governance arrangements undertaken by the ICO at the same time. The Committee agreed that good progress had been made. The Committee are due to receive an update on the outcome of the ICO Audit this year.

13. INVESTIGATION OUTCOME (NOV 2012)

The Committee received a presentation providing details on a significant employee fraud and action that had been taken in response.

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. 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.

There had also been changes in legislation affecting the RIPA authorisation process that took effect on 1 November 2012 and that the requirement for the Audit Committee to receive quarterly monitoring reports on the use of RIPA within the Council be amended to require:

1. Update reports for each meeting only when contentious applications had been submitted; and
2. A formal monitoring report on a six monthly basis.

16. 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

- Assistant Director Performance Appraisal Scores
- Comparative London Assistant Director Pay Rates
- Health Checks for Senior Officers'
- Suggestion to Negotiate a Discretion to Consider Non Consolidated pay as Non Pensionable
- Comparative Chief Officer pay Rates in London 2011/12
- Directors-PAR Objectives Achieved 2011/12
- The Council's Statutory Pay Policy

17. TRAINING AND BRIEFING SESSIONS

The following sessions were held during 2012/13:

- International Financial Reporting Standards (IFRS)

We propose to continue to hold regular update/briefing sessions on issues within our terms of reference throughout 2013/14.

18. WORK PROGRAMME 2012/13

We have agreed our work programme for the current year.

19. CONCLUSION

Overall we feel that we fulfilled our role and responsibilities successfully during 2012/13. 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 2012/13

Date of Meeting	Reports Considered
10 July 2012	<ul style="list-style-type: none"> • 2011/12 Annual Statement of Accounts • Annual Governance Statement • Accounts Audit Approach Memorandum – Year Ended 31 March 2012 • Review of Financial Resilience – Follow up • Fraud Risk Update • Income Collection Performance Update – April 2011 to March 2012 • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) – update • Certification Work – Planning Memorandum 2011/12 • Review of Property Disposals • 2011/12 Internal Audit Annual Report • Audit Committee Annual Report 2011/12
27 September 2012	<ul style="list-style-type: none"> • External Auditors Annual Report to those Charged with Governance (ISA260) • LBE Audited Council Statement of Accounts 2011/12 & Annual Governance Statement • Risk Management Strategy • 2012/13 Audit & Risk Management Service Progress Report
20 November 2012	<ul style="list-style-type: none"> • London Borough of Enfield: Annual Audit Letter 2011/12 • Enfield Homes Audited Statement of Accounts 2011/12 • Review of Contract Procedure Rules • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) – Update • 2012/13 Audit & Risk Management Service Progress Report • External Audit Progress Report • Annual Audit Fee Letter – 2012/13 • Investigation Outcome - Presentation
15 January 2013	<ul style="list-style-type: none"> • Information Governance (Including Corporate Records Management Policy) • Corporate Risk Register • Public Health Responsibilities • Certification Report 2011/12 • External Audit Progress Report • 2012/13 Audit & Risk Management Update Report (including Annual Governance Statement Update Report)

19 March 2013	<ul style="list-style-type: none">• Presentation on Financial Resilience & Questions – Grant Thornton• Treasury Management Strategy & Prudential Indicators• Management of Risk Relating to Safeguarding Vulnerable Children• Contract Procedure Rules – Waivers Update (6 Monthly)• RIPA Update• External Audit Progress Report• External Audit Plan• Draft 2013/14 Internal Audit Plan• 2012/13 Audit & Risk Management Service Progress Report
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