

**Audit Committee
Annual Report
2013/14**

CHAIRMAN'S INTRODUCTION

I am very pleased to present this Audit Committee Annual Report for 2013/14 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 2013/14. 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 5 times during 2013/14, in addition to holding briefing sessions, as the need was identified. (See section 21).

During 2012/13 our membership was:

Councillor Dino Lemonides Chairman

Councillor Tahsin Ibrahim Vice Chairman

Councillors Jayne Buckland, Toby Simon, Michael Lavender, Dogan Delman and Terence Neville OBE JP.

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 2013/14 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 focussed on over the year are set out in Appendix A which lists the work undertaken by the Committee during 2013/14.

3. THE 2012/13 INTERNAL AUDIT ANNUAL REPORT

In July 2013 we considered the 2012/13 Internal Audit Annual Report. This summarised the work of Internal Audit section for the year 2012/13

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 were adequate for preventing significant risks of a strategic and operational nature materialising.
- The 2012/13 Internal Audit programme had seen a reduction in the number of Limited or No Assurance opinions given and a significant reduction in the number of Critical and High Risk findings identified, compared to 2011/12.
- A total of 72 audits were delivered in 2012/13. This incorporated changes made to the approved plan, including completing an additional six audits, cancelling or deferring 16 audits and changing the scope of five audits. High or Reasonable Assurance was given for 48 (84%) of the internal audits completed. The level of Limited or No Assurance opinions was reduced from 28% in 2011/12 to 16% in 2012/13.
- Management continued to engage with Internal Audit. However, the turnaround of management responses and implementation of internal audit recommendations needed to be improved to ensure that the Council's control environment remained robust and was able to mitigate the risks the Council faces.
- As the Council continues to transform, moving towards becoming a Coordinating Council, the focus on maintaining its control environment is important to ensure that it can achieve both its strategic and operational objectives. The organisation must continue to ensure that officers, partners and contractors continue to comply with the policies and procedures it has in place to safeguard assets, finances and service users.

4. THE INTERNAL AUDIT PLAN 2014/15

The Internal Audit Strategy, Plan and Internal Audit Charter 2014/15 was considered at our meeting on 5 March 2013. The Audit plan represents a key area of interest for the Committee and covers 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 coming year monitored the plan itself or specific aspects of activity around the Council's control environment. The Internal Audit Charter set out the purpose, authority and responsibilities of Enfield Council's internal audit service.

5. INTERNAL AUDIT SERVICE

The Committee has continued to monitor the work undertaken by the internal audit service, as part of the 2013/14 Internal Audit Plan with monitoring updates provided for each meeting. We focussed on progress

with the number of reviews addressing limited or no assurance recommendations through the work of the Counter Fraud Team.

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, Review of Use of CPO's and a presentation on '2016 Tipping Point, Challenging The Current'

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

Grant Thornton also met 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 2013 we considered the 2012/13 Statement of Accounts which included the Annual Governance Statement. The Committee has continued to monitor progress in dealing with objections and closure of the accounts.

8. PROPERTY and CONTRACT PROCEDURE RULES

On 7 November 2013, we considered the changes proposed to the Council's Property Procedure Rules (PPRs) and annual review of the Contract Procedure Rules (CPRs).

On the 25 September 2013 we received an update on the 6 monthly review of waivers issued under the Contract Procedure Rules (CPRs) with a further update at the meeting held on 5 March 2014.

9. COUNTER FRAUD WORK

In January 2014 we considered the Counter Fraud Strategy, which had last been reviewed in 2009.

We have 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. We were pleased to note that:

- 11 individuals, including 6 prosecutions, had received sanctions for benefit fraud. Prosecution work had also commenced on a further 17 individuals.
- Over £400K of fraudulent benefit over payments had been identified.
- Working with Enfield Homes, the joint team had recovered 57 properties against a target for the year of 62
- the Housing Benefit team prosecuted 6 individuals with a prosecution value of £187,684.
- 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.

10. 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, we considered the Treasury Management Strategy Statement & Investment Strategy 2014/15 to 2017/18 at its meeting on 5 March 2014.

11. INFORMATION GOVERNANCE (NOV 2013)

In November 2013, we 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 Information Commissioner at the same time. The Committee agreed that good progress had been made and were satisfied with the update on the outcome of the ICO Audit.

12. REVIEW OF USE OF COMPULSORY PURCHASE ORDERS (CPOs)

At the meeting held on the 25 September 2013, we reviewed the use of CPOs. In the opinion of the External Auditors, the Council was making appropriate use of CPOs to support its activities and in delivery of its strategic priorities. The review had focussed on two main areas of Council activity, these were i) bringing properties back into use and ii) regeneration projects in progress.

13. ENFIELD HOMES

At our meeting held on 7 November 2013, Enfield Homes Audited Statement of Accounts 2012/13 was reviewed.

The Enfield Homes Annual Internal Audit Report for 2012/13 was also reviewed on 9 January 2014 and an update to this report was provided at the meeting held on 5 March 2014. The report highlighted the outcomes

from the audit work completed for 2012/13. 33 recommendations were identified as implemented, with one still in progress, relating to the production of a new asbestos management policy including domestic residences. All outstanding recommendations from two follow up audits had been implemented.

14. WELFARE REFORMS

At the meeting held on 7 November 2013, the Committee heard an update on the impact of the Government's Welfare Reforms in Enfield and the outcomes achieved to date. These included the benefit cap impact on households, discretionary housing payments, the spare room subsidy, rent collection, Council Tax support and the roll out of Universal Credit.

15. SICKNESS ABSENCE

An update on absence management trends and initiatives was received at our meeting held on 7 November 2013. The update had been requested by Members from the previous Audit Committee meeting held on 25 September 2013. There had been new interventions and initiatives introduced to reduce absence as was detailed in the report. A further update had been requested by Members to be heard at a future 2014 Committee meeting.

16. SCHOOL LETTINGS SERVICE

The School Lettings Service Audit Report was considered at the Committee meeting held on 9 January 2014. There had been an internal audit undertaken in 2012/13 to review the processes and controls in place relating to this Service. Booking Arrangements, fee collection, payments to schools, VAT and Criminal Record Bureau (CRB) procedures had been assessed by the Audit. A further update was requested by Members, for the meeting on 9 July 2014.

17. DEBT MANAGEMENT AND INCOME COLLECTION PROCEDURES

We received an update in September 2013 on income collection performance from April 2012 to March 2013. The report set out the type of income recovered from teams across the Council and provided collection performance levels against targets and debt recovery arrangements from April 2012 to March 2013.

18. INTERNATIONAL FINANCIAL REPORTING STANDARDS

We were pleased to note that, in the opinion of the External Auditors, the Council's financial statements gave a true and fair view of the financial position of the London Borough of Enfield as at 31 March 2013 and of its expenditure and income for the year then ended; and had been properly

prepared in accordance with the CIPFA / LASAAC Code of Practise on Local Authority Accounting in the United Kingdom 2012/13.

19. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Committee has also continued to receive quarterly reports on the Council's use of its powers under RIPA.

20. REMUNERATION SUB COMMITTEE

At our meeting on 9 July 2013 we 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 was 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.

In 2013/14 the sub committee met three times and discussed

- Public Health Pay Structure
- National Pay Award for NJC (National Joint Council) For Chief Executives And Chief Officers
- Assistant Director Performance Reviews 2012/13
- Statutory Pay Policy
- NJC Pay Award
- Comparative Chief Officer Pay Rates
- Director's Appraisal Scores 2012/13
- Statutory Pay Policy Update
- Chief Officer Pay Claim
- Voluntary Reduction of Hours Policy

Following changes agreed to the Council's decision making structure by Council on 11 June 2014, it has now been agreed that the work of the Sub Committee be included within the amended Terms of Reference for the Audit Committee. This means the Sub Committee will no longer continue to operate, with the Audit Committee Terms of Reference amended to take account of this change.

21. TRAINING AND BRIEFING SESSIONS

The following sessions were held during 2013/14:

- New EU Procurement Directives Briefing

We propose to continue to hold regular update/briefing sessions on issues within our terms of reference throughout 2014/15.

22. WORK PROGRAMME 2014/15

We have agreed our work programme for the current year.

23. CONCLUSION

Overall we feel that we fulfilled our role and responsibilities successfully during 2013/14. 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 2013/14

Date of Meeting	Reports Considered
9 July 2013	<ul style="list-style-type: none"> • 2012/13 Annual Statement of Accounts • Annual Governance Statement • Debt Management & Income Collection Procedure - update • External Audit Progress Report – July 2013 • Internal Audit Progress Update • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) – update • Grant Certification Work Plan – Year ended 31 March 2013 • 2012/13 Internal Audit Annual Report • Audit Committee Annual Report 2012/13
25 September 2013	<ul style="list-style-type: none"> • External Auditors Annual Report to those Charged with Governance (ISA260) • LBE Audited Council Statement of Accounts 2012/13 & Annual Governance Statement • Municipal Mutual Insurance (MMI) Update • Contract Procedure Rules – Waivers Update (6 Monthly) • Debt Management & Income Collection Procedure Report • Internal Audit Progress Update 2013/14 • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) – update • Review of Financial Resilience (Grant Thornton) • Review of Use of CPO's (Grant Thornton) • External Audit Progress Report – September 2013 • Key Decision Thresholds
7 November 2013	<ul style="list-style-type: none"> • London Borough of Enfield: Annual Audit Letter 2012/13 • Enfield Homes Audited Statement of Accounts 2012/13 • Update on Objections to the 2012/13 Audited Statement of Accounts • Revised Property Procedure Rules (PPR) • Welfare Reforms Update • Information Governance Update • Human Resources Update on Tackling Sickness Absence • Key Decision Thresholds • 2013/14 Audit & Risk Management Service Progress Report • External Audit Progress Report 2013/14 – November 2013
9 January 2014	<ul style="list-style-type: none"> • Update of the Objections to the Statement of Accounts 2012/13

	<ul style="list-style-type: none"> • Enfield Homes Annual Internal Audit Report for 2012/13 & Plan of work for 2013/14 • Audit of Annual Accounts: Update on Management of Tenancy Agreements – Enfield Homes • School Lettings Service Audit Report • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) – Report & Procedure Change Update • External Audit Progress Report 2013/14 – January 2014 • External Audit Certification Report 2012/13 • Counter Fraud Strategy • 2013/14 Audit & Risk Management Update Report
5 March 2014	<ul style="list-style-type: none"> • Enfield Homes Annual Internal Audit Report for 2012/13 & Plan of work for 2013/14 - Update • Council's 2014/15 Treasury Management Strategy & Prudential Indicators • External Audit Presentation – '2016 Tipping Point, Challenging The Current' • Contract Procedure Rules – Review of Waivers: September 2013 – February 2014 • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) – update • Annual Governance Statement – Action Plan • External Audit Progress Report – March 2014 • External Audit Plan 2013/14 • Draft 2014/15 Internal Audit Plan & Internal Audit Charter • 2013/14 Audit & Risk Management Service Progress Report