

**Audit Committee
Annual Report
2014/15**

CHAIR'S INTRODUCTION

I am very pleased to present this Audit Committee Annual Report for 2014/15 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 2014/15. 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 Chair.

Councillor Dino Lemonides
Chair

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 2014/15, in addition to holding briefing sessions, as the need was identified. (See section 21).

During 2014/15 our membership was:

Councillor Dino Lemonides Chair

Councillor Mary Maguire Vice Chair

Councillors Guney Dogan, Robert Hayward, Jansev Jemal, Terence Neville OBE JP and Doris Jiagge (January 2015 onwards). Councillor Haydar Ulus also served as a member of the committee from June 2014 – November 2014.

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 2014/15 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 2014/15.

3. THE 2014/15 INTERNAL AUDIT ANNUAL REPORT

In July 2015 we considered the 2014/15 Internal Audit Annual Report. This summarised the work of the Internal Audit section for the year 2014/15 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 opinion of the Head of Internal Audit and Risk Management was that the arrangements for risk management, internal control and governance provide reasonable assurance that material risks, which could impact upon the achievement of the Council's services or objectives, were being identified and managed effectively.
- The 2014/15 Internal Audit programme had resulted in 70% of audits with positive assurance, compared to 30% with Limited or No assurance.
- The approved Internal Audit Plan for 2014/15 included a total of 72 audits. As a result of changes made to the approved plan, a total of 75 assignments were undertaken in 2014/15, including 10 new reviews, seven of which substituted for cancelled or deferred audits.
- Management had continued to engage with Internal Audit and, through a strengthened process to track progress with the implementation of agreed actions. By the end of the year, 85% of high priority recommendations and 82% of medium priority recommendations had been implemented.
- As the Council continues to transform, the focus on maintaining a relevant and proportionate control environment is important to ensure that it can achieve both its strategic and operational objectives. The organisation must continue to ensure that the control framework and compliance with this continues to safeguard asset, finances and service users.

4. THE INTERNAL AUDIT PLAN 2015/16

The Internal Audit Strategy, Plan and Internal Audit Charter 2015/16 was considered at our meeting on 4 March 2015. 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 faces during 2015/16. Regular reports throughout the coming year will monitor 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 to achieve the 2014/15 Internal Audit Plan, with

monitoring updates provided for each meeting. We focussed on progress with the number of reviews, reviewed details of issues identified that resulted in limited or no assurance outcomes, monitored managers' progress with the implementation of internal audit recommendations and received summaries of work undertaken by the Counter Fraud Team.

Throughout the year, internal audit activity has conformed to the International Standards for the Professional Practice of Internal Auditing, as confirmed by an independent peer review of the service, which was undertaken by the London Borough of Croydon. This concluded that the Council's internal audit service 'fully conforms' with the Public Sector Internal Audit Standards, and achieves the outcomes described in the Definition of Internal Auditing and Code of Ethics.

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/publications on a variety of issues including:

- Guide to Local Authority accounts.
- Helping Local Authorities prepare clear and concise financial statements.
- Approving the minimum revenue provision.
- Pulling together the better care fund.
- 2020 Vision: Exploring finance and policy futures for English local government.

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

Grant Thornton also met regularly with the Section 151 Monitoring Officer and the Head of Internal Audit & Risk Management to discuss and monitor matters of mutual interest.

7. THE ANNUAL GOVERNANCE STATEMENT

In July and September 2014 we considered the 2013/14 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 PROCEDURE RULES and CONTRACT PROCEDURE RULES

- On 25 September 2014, we considered the waivers update to the Council's Contract Procedure Rules (CPRs).
- On the 8 January 2015 we received an update on the amendments to the Contract Procedure Rules 6 monthly review of

waivers issued under the Contract Procedure Rules (CPRs). The three key areas:

- a. Changes to the waiver procedure – Waivers would now be signed off first by the Assistant Director – Procurement before being signed off by Directors, as quite often they needn't be waived in the first place.
- b. Transparency – to introduce the concept of an annual procurement plan, so that the public and business know what is being procured over the coming year.
- c. Procurement thresholds – proposal to increase thresholds.

9. COUNTER FRAUD WORK

On the 9 July 2014 there was an update on the Counter Fraud Service and on 6 November 2014 we considered the Counter Fraud Strategy & Anti-Fraud Action Plan.

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 by 31 March 2015:

- 45 individuals had received sanctions, including 17 prosecutions, for benefit fraud.
- Overpayments of Housing Benefit, Council Tax Benefit, and Council Tax Support totalling £977k had been identified
- Working with Enfield Homes, the joint team had recovered 67 properties that had been illegally sub-let. The investigations Team had also recovered 6 sub-let housing association properties and 14 properties used as Temporary Accommodation. The total value of these recoveries to the Council was estimated at more than £1.4m.
- 17 individuals were prosecuted for benefit offences, with overpayments of around £349k.
- Through participation in the National Fraud Initiative benefit over payments in excess of £103,000 had been identified as awarded to students.

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 2015/16 to 2018/19 at its meeting on 4 March 2015.

11. DEVELOPMENT OF THE COUNCIL'S CHANGE AND TRANSFORMATION PROGRAMME AND SAVINGS ACHIEVED

At the meeting held on 25 September 2014, the Council's future transformation programme (Enfield 2017) was considered and the savings achieved by the programme to date. The report drew attention to the vision and broad direction of Enfield 2017, which had been agreed by Cabinet on 17 September 2014. The Committee continues to receive updates on progress with the delivery of the Enfield 2017 programme.

12. FINANCIAL RESILIENCE CAPACITY BUILDING PROGRAMME

At the meeting held on the 6 November 2014, we considered the Financial Resilience Capacity Building Programme. The programme would equip the Council's finance function with more skills and ideas to drive transformation forward for better services. The ongoing monitoring of the programme has been added on the Committee work programme for 2015/16.

13. ENFIELD HOMES

The Annual Internal Audit Report for Enfield Homes was heard by Committee on the 9 January 2014 meeting, The Committee had not been satisfied with the report and requested that Senior Enfield Homes Management should attend the next scheduled meeting to account for their actions regarding their processes for running Council Housing stock.

At our meeting held on 6 November 2014, Enfield Homes Audited Statement of Accounts 2013/14 and plan of work for 2014/15 were reviewed and noted. Enfield Homes had to produce the accounts on a breaking up basis, due to Enfield Homes coming back in-house by April 2015.

The Enfield Homes Annual Internal Audit Report for 2013/14 was also reviewed on 6 November 2014, as presented to members of the Enfield Homes Board. This described the work carried out by Internal Audit during 2013/14, providing summaries of six assignments, including review of the process for tracking managers' progress with the implementation of internal audit recommendations. The outcome of these assignments together with assurances from other activities conducted by the Audit & Risk Management Service informed the overall 'Reasonable' assurance assessment for Enfield Homes.

14. DEPARTMENTAL & CORPORATE RISK REGISTERS UPDATE.

At the meeting held on 6 November 2014, we received an update of the Council's Departmental and Corporate Risk Registers. The Council's Risk Management Strategy allows for the regular review of departmental and corporate risks.

In line with the Audit Committee 2014/15 work programme, the report provided an update on the risks recorded in the departmental and

corporate risk registers. Further updates are being provided for the Committee on an annual basis.

15. SICKNESS ABSENCE

A Human Resources (HR) update on tackling sickness absence was requested by the Committee for the meeting held on 25 September 2014. Human Resources had identified the top 20 short term and long term sickness cases by working with management and agreeing/implementing an action plan for each identified case, so as to reduce absence levels. A further update was considered at the Committee meeting held on 4 March 2015 including an update on the Occupational Health Service.

It was agreed that future HR Sickness Absence reports will now be monitored by the Remuneration Committee and if that Committee identified issues, these could be brought back to Audit Committee.

16. SCHOOL LETTINGS AGENCY SERVICE

An internal audit was 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.

The School Lettings Service audit report was initially considered at the Committee meeting held on 9 January 2014. The report summarised the outcome of the audit which included 3 high risk, 2 medium risk and 1 low risk finding. The service was failing and not producing value for money. Audit Committee identified weaknesses in the service through the report and asked for assurances regarding the service's management of debts. A progress update report was requested by the Committee and Jenny Tosh (Assistant Director – Education Services) provided this at Committee on 9 July 2014. After a consultation process with schools had been completed, a proposal was agreed to cease running the School Lettings Service.

At the Committee meeting on 25 September Internal Audit reported the results of sample testing on 20 debts, which provided assurance that there were no issues regarding outstanding debts, income collected and payment of income to schools as reported in financial records.

Business activities for the service had ceased at the end of June 2014.

17. INDEPENDENT MEMBERS ON AUDIT COMMITTEE

Audit Committee have been keen to progress the recruitment of Independent Members during 2014/15. The Committee has therefore commenced a formal recruitment process with interviews due to take place in June and July 2015. These will be based around a job description and person specification that was agreed by the Committee.

The Independent Person will serve as a non-voting member of the Committee acting in an advisory and consultative manner, with a final appointment due to be confirmed in 2015/16.

Since this report was reviewed, Ms Chaitali Roy is to be recommended to Council for approval as the Audit Committee Independent Person.

18. COUNCIL TAX REDUCTION SCHEME (CTRS) – SUPREME COURT RULING (HARINGEY)

An update on a Supreme Court Ruling (Haringey) regarding the Council Tax Reduction Scheme (CTRS) was received at our meeting held on 8 January 2015. Assurance was provided that Enfield was compliant.

19. HOUSING SUPPLY AND HOMELESSNESS

At the meeting held on 8 January 2015, the Committee heard a report regarding the Council's housing supply and homelessness. The report was considered in two parts. The first part of the report set out replies to a number of questions put to the service, arising from the Audit Committee meeting held on 6 November 2014. The second part of the report dealt with questions related to Housing Supply and Homelessness. A further update has been included on the Committee Work Programme for 2015/16.

20. THE CARE ACT 2015

On the 4 March 2015, we considered the implementation and progress of the Care Act 2015. The presentation covered the following headings:

- A brief history of care and support.
- Context for change: demands on the system.
- Key principles of the Care Act.
- What does the Care Act do.

The implementation of the Care Act will come in two stages. Some changes came into force on 1 April 2015 and others – most importantly, the care cap - will be introduced from April 2016. They relate only to care in England.

This item has been put onto the Audit Committee Work Programme for 2015/16, so that progress can be reported to the Committee again in September 2015.

21. 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.

22. REMUNERATION COMMITTEE

In June 2014, a decision was made by Council as part of a wider review of the Council's decision making arrangements to incorporate the role of the Remuneration Sub-Committee within the remit for the Audit Committee, with a view to streamlining the number of council committees.

Following that decision, a number of developments were identified which highlighted the importance of senior pay and conditions in relation to the local government transformation agenda.

In light of these developments above, the need was highlighted for a mechanism allowing members to give full consideration to the issue of senior pay and reward, as part of the process for meeting the financial challenges ahead. Following discussion with the Members & Democratic Services Group it was felt the most appropriate way to ensure this would be to establish a free standing committee focussed on senior officer remuneration and HR issues.

As a result Council was asked to consider establishing a free standing Remuneration Committee, made up of 3 members. This was agreed in November 14, along with the necessary changes to remove this area of responsibility from the Audit Committee Terms of Reference.

In 2014/15 the Committee met once and discussed:

- Exercising Discretion under the Local Government Pension Scheme.
- JNC Pay Award.
- Comparative Pay Rates in London 2013/14
- Review and Adoption of a Statutory Pay Policy Statement.
- Protocol for Members Appointment Panels.
- Directors and Assistant Directors – PAR Objectives Achieved 2013/14.

24. TRAINING AND BRIEFING SESSIONS

The following sessions were held during 2014/15:

- Audit Committee Induction/Training – Role of the Audit Committee/External Audit/Internal Audit – 3 July 2014
- Audit Committee Induction/Training – Role of the Audit Committee/External Audit/Internal Audit – 8 January 2015
- Audit & Risk Management Training – Scoring risks, use of Matrix system and how risks are monitored/quantified – 4 March 2015.

We propose to continue to hold regular update/briefing sessions on issues within our terms of reference throughout 2015/16.

25. WORK PROGRAMME 2015/16

We have agreed our work programme for the current year.

26. CONCLUSION

Overall we feel that we fulfilled our role and responsibilities successfully during 2014/15. 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.

BDO LLP are to take over from Grant Thornton once the 15/16 audit and certification work is completed. Grant Thornton are likely to attend up to and including the January 2016 Audit Committee but would not be issuing any Audit fee letter in September 2016 or Audit plan in March 2016.

The Committee would like to thank Grant Thornton for their support as External Auditors.

Summary of Audit Committee Work Programme 2014/15

Date of Meeting	Reports Considered
9 July 2014	<ul style="list-style-type: none"> • 2013/14 Annual Statement of Accounts • School Lettings Service Audit Report – Progress Update • External Audit Progress Report – July 2014 • Update on Counter Fraud Service • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) – update • Grant Certification Work Plan – Year ended 31 March 2014 • 2013/14 Internal Audit Annual Report • Audit Committee Annual Report 2013/14
9 September 2014	<ul style="list-style-type: none"> • Draft Statement of Accounts 2013/14
25 September 2014	<ul style="list-style-type: none"> • External Auditors Annual Report to those Charged with Governance (ISA260) • LBE Audited Council Statement of Accounts 2013/14 & Annual Governance Statement • Human Resources Update on Tackling Sickness Absence • Contract Procedure Rules – Waivers Update (6 Monthly) • Development of the Council's Change & Transformation Programme Update and Savings Achieved by Leaner • Internal Audit Progress Update 2014/15 • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) – update & review of National Report on the use of RIPA • External Audit Progress Report – September 2014
6 November 2014	<ul style="list-style-type: none"> • London Borough of Enfield: Annual Audit Letter 2013/14 • Enfield Homes Audited Statement of Accounts 2013/14 • Enfield Homes Annual Internal Audit Report – 2013/14 & Plan of Work for 2014/15 • Counter Fraud strategy and Anti-Fraud Action Plan • Financial Resilience Capacity Building Programme – Grant Thornton • Departmental & Corporate Risk Registers Update • Independent Members on Audit Committee • Audit & Risk Management Service Progress Report 2014/15 • External Audit Progress Report – November 2014
8 January 2015	<ul style="list-style-type: none"> • Council Tax Reduction Scheme (CTRS) – Supreme Court Ruling (Haringey) • Health & Safety Presentation

	<ul style="list-style-type: none"> • External Audit Certification Report 2013/14 • Housing Supply and Homelessness • Revised Property Procedure Rules – Operational Review • Contract Procedure Rules - Amendments • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) • Audit & Risk Management Service Progress Report – 1 April 2014 – 30 November 2014 • External Audit Progress Report 2014/15 – January 2015
4 March 2015	<ul style="list-style-type: none"> • Internal Audit Progress Report and Update on Departmental and Corporate Risk Registers 2014/15 • The Care Act 2015 • Treasury Management Strategy and Prudential Indicators 2015/16 • Scrutiny of Regulation of Investigatory Powers Act 2000 (RIPA) – update • Tackling Sickness Absence (Including Update on Occupational Health) • External Audit Plan 2015/16 and Progress Report to March 2015 • Draft 2015/16 Internal Audit Plan & Internal Audit Charter