

**Audit & Risk  
Management  
Committee Annual  
Report  
2015/16**

## **CHAIR'S INTRODUCTION**

I am very pleased to present this Audit Committee Annual Report for 2015/16 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 2015/16. My thanks also go to Grant Thornton (external auditors), BDO (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 & Risk Management 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 2015/16, in addition to holding briefing sessions, as the need was identified. (See section 21).

During 2015/16 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.

## **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 2015/16 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 2015/16.

### **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 provided 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 and INTERNAL AUDIT CHARTER 2016/17**

The Internal Audit Strategy, Plan and Internal Audit Charter 2016/17 was considered at our meeting on 3 March 2016. 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 2016/17. 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 the following reports/publications on a variety of issues including:

- Where Growth Happens
- Update paper including the following:
  - a. A summary of emerging National issues and developments.
  - b. A number of items for consideration in respect of these emerging issues.

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 2015 we considered the 2014/15 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. INDEPENDENT MEMBER – MRS CHAITALI ROY**

The Chair welcomed Mrs Chaitali Roy to the meeting held on the 23 September 2016, as the Audit & Risk Management Committee

Independent Person. The Chair recommended the appointment of Mrs Roy at Full Council and this was seconded by Cllr Terry Neville.

## **9. CONTRACT WAIVER MONITORING AND PROCUREMENT SPEND 2014/15.**

On 23 September 2015, we considered the contract waiver monitoring and procurement spend 2014/15.

The number of waivers for the period September 2014 to August 2015 was 40 which represented a total contract value of £6,545,909.

Overall the number of waivers had decreased by 40% per annum since August 2013, with a reduction in the total contract value of 30%.

The Committee agreed that the reduction in waivers, was moving in the right direction. More larger contracts to be broken down into smaller lots to reduce waivers further as required by the Public Contracts Regulations 2015. Where Local authorities have to justify why large value contracts are not broken into lots.

## **10. COUNTER FRAUD WORK**

On the 9 July 2015 there was an update on the Counter Fraud Service and on 5 November 2015 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.

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 2016/17 at its meeting on 3 March 2016. The report referenced the economic climate which looked and considered the Council's borrowing requirements and the Council's investments.

Issues raised and discussed by members included:

- The HRA borrowing limit
- Interest rates if the UK left the EU
- Council exposure to the European Investment Bank (EIB)
- Financial reporting transparency and clarity
- Cost of borrowing

## **12. ENFIELD 2017 PROGRAMME UPDATE**

At the meeting held on 9 July 2015, there was an update on the Enfield 2017 Programme, showing a brief overview of the progress made by the Enfield 2017 team. The agenda items for the presentation included:

- Overall Structure
- Progress to date – 2015/16
- Key challenges

The 12 major key programme activity areas had been completed and Enfield 2017 was now responsible for these areas i.e. the Care Act 2015. The Committee requested a further Enfield 2017 update for the 19 January 2016 meeting. The committee requested that the update should not only cover the general progress of Enfield 2017 but also include:

- Issues encountered regarding the rationalisation of back office functions.
- What are the new systems that have or are to be implemented
- What the new systems are called and their functions.

So as to avoid repetition the Chairs' of both Audit & Risk Management Committee and OSC agreed to have a joint meeting on 8 March 2016, to hear a special Enfield 2017 report. This Enfield 2017 update replaced the item that was proposed to be heard at the 19 January 2016 Audit & Risk Management Committee meeting.

The Committee continues to receive updates on progress with the delivery of the Enfield 2017 programme.

## **13. FINANCIAL RESILIENCE CAPACITY BUILDING PROGRAMME**

At the meeting held on the 5 November 2015, the Committee heard a verbal update from Grant Thornton (external auditors) regarding the progress of the Financial Resilience Capacity Building Programme. The programme was designed to help local authority finance officers to develop and move away from a transactional processing approach to a more dynamic business advisory role supporting service quarters.

Finance officers stated that the programme was a very positive experience, which lasted for a period of 6 days.

Grant Thornton will look to deliver the same programme again. The Council would be recommending that some of its senior officers attend the programme.

#### **14. HOUSING SUPPLY AND HOMELESSNESS**

At the meeting held on 5 November 2015, the Committee heard an update report regarding the Council's housing supply and homelessness. One of the matters arising from the meeting held on 4 March 2015, was how long it was taking the Council to process homeless applications.

The report highlighted the fact that the housing team were taking approximately 89 days to process housing applications whilst people were in temporary accommodation. This was against a target of 33 days.

Issues raised in response to the report by the Committee included the following:

- That the housing team may not be as rigorous as they should be in applying relevant tests in deciding if people are eligible for re-housing or not. In particular, that the local connection test was not being robustly applied to applicants and not viewing their passports.
- The private rental market in Enfield and how it was being exploited by other Boroughs' who are displacing local residents.
- The high numbers of homeless people was as a result of a lawful breakdown of private rented tenancies (80%) with the tenant playing no hand in these breakdowns.
- London Councils statistics showed that Enfield and Croydon consistently appeared in terms of absorbing people from outer London Boroughs.

An action arising from the 5 November meeting requested if there was a breakdown of how many people were new arrivals in the Borough and what the numbers were. People arriving in the Borough, with no recourse to public funds were not dealt with by the homelessness service but with the Homeless & Immigration Team. Therefore, at the 19 January 2016 meeting a report was heard by the Homeless and Immigration Service, providing this information.

#### **15. DEPARTMENTAL & CORPORATE RISK REGISTERS UPDATE.**

At the meeting held on 5 November 2015, the Committee 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.

Issues raised in response to the report by the Committee included the following:

- Regeneration & Environmental departmental risk regarding the failure to achieve key rail and other enabling infrastructures regarding the proposed Meridian Water Enhanced Station.
- Departmental risk within the Chief Executive's office relating to the workforce and succession planning.
- The graduate recruitment programme.



- The use of extracts from risk registers which did not show the time lines for mitigating risks.
- The FMS balanced budget risk 2015/16 and inappropriate procurement process risk.

A further update report was also heard at the 3 March 2016 meeting regarding departmental and corporate risk registers.

In line with the Audit Committee 2015/16 work programme, the reports 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.

## **16. DEPRIVATION OF LIBERTY SAFEGUARDS (DoLS) UPDATE**

There had been a DoLS audit completed in August 2015, which had identified a number of areas of limited assurance. The Committee requested an update report and this was heard at the 19 January 2016 meeting, outlining the current position regarding DoLS applications and assessments.

Issues raised in response to the report by the Committee included the following:

- The DoLS backlog and number of DoLS authorised applications.
- New Law Commission legislation to allow hospitals to self-certify patients for longer periods of time.
- DoLS steering group, which combats a range of issues under the Mental Health Act and DoLS.
- The HHASC risk register, where management monitor DoLS.

The Chair requested that a DoLS update be heard in 6 months, at the July 2016 Audit and Risk Management meeting.

## **17. THE CARE ACT 2014**

On the 19 January 2016, the Committee considered an information update on the implementation and progress of the Care Act 2014.

Part 1 of the Care Act 2014 related to how the Council discharged its care and support functions, which came into force in April 2015.

Part 2 of the Care Act 2014 related to funding reforms, due to come into force in April 2016. This had now been postponed by Central Government until 2020.

Due to the postponement of the funding reforms to 2020, the Council's focus had moved away from the preparation of part 2 to the continuation of embedding part 1 of the Act.

The Council had moved the Care Act forward and had satisfactorily met the key duties.

Issues raised in response to the report by the Committee included the following:

- Clarity regarding the delivery of the Care Act under Enfield 2017.
- Achievements made in implementing part 1 of the Care Act 2014.

Officers concluded that the Council were already in a very good position as regards the implementation of phase 1 of the Act. Much of phase 1 was about best practise and the first 6 months was about making sure that the Council's information systems, assessment processes and safeguarding processes complied with best practise. The Committee agreed that officers had done a good and had complied with the requirements of the Care Act and guidance.

## **18. 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.

## **19. 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.

## **20. WORK PROGRAMME 2015/16**

We have agreed our work programme for the current year.

## **21. CONCLUSION**

Overall we feel that we fulfilled our role and responsibilities successfully during 2015/16. 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 have now taken over from Grant Thornton as the Council's external auditors.. Grant Thornton attended up to and including the January 2016 Audit Committee.

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

### Summary of Audit & Risk Management Committee Work Programme 2015/16

Date of Meeting	Reports Considered
9 July 2015.	<ul style="list-style-type: none"> <li>• Update of protocol guidance on conduct and objection to the 2014/15 Draft Statement of Accounts.</li> <li>• 2014/15 Annual Statement of Accounts, Draft Pension Fund Accounts 2014/15 &amp; Draft Annual Governance Statement (AGS).</li> <li>• Scrutiny of RIPA Statistics.</li> <li>• Enfield 2017 Programme Update.</li> <li>• Counter Fraud Service 2014/15.</li> <li>• Corporate Risk Management Strategy.</li> <li>• Anti-Money Laundering Policy and Guidance.</li> <li>• Internal Audit Annual Report 2014/15.</li> <li>• External Audit Progress Update – Grant Thornton.</li> <li>• Audit Committee Annual Report 2014/15.</li> </ul>
2 September 2015	<ul style="list-style-type: none"> <li>• Draft Statement of Accounts 2014/15 and Draft Annual Governance Statement 2014/15.</li> </ul>
23 September 2015	<ul style="list-style-type: none"> <li>• External Auditors Annual Report to those Charged with Governance (ISA260) – 2014/15.</li> <li>• LBE Audited Council Statement of Accounts 2014/15 &amp; Annual Governance Statement 2014/15.</li> <li>• Contract Waiver Monitoring and Procurement Spend 2014/15.</li> <li>• Scrutiny of RIPA Statistics Update.</li> <li>• Updated Audit &amp; Risk Management Committee Annual Report 2014/15.</li> <li>• 2015/16 Audit and Risk Management Service Progress Report.</li> <li>• Audit &amp; Risk Management Committee Independent Person – Mrs Chaitali Roy.</li> </ul>
5 November 2015	<ul style="list-style-type: none"> <li>• External Audit – Annual Audit Letter 2014/15 Annual Audit Letter 2013/14</li> <li>• 2015/16 Audit and Risk Management Service Progress Report.</li> <li>• Counter Fraud Strategy.</li> <li>• Departmental and Corporate Risk Registers.</li> <li>• Housing Supply and Homelessness – Update from 4 March 2015 meeting.</li> <li>• Information Governance Update – 2014/15.</li> <li>• Scrutiny of RIPA Statistics Update.</li> <li>• Financial Resilience Capacity Building Programme Update.</li> </ul>

<p>19 January 2016</p>	<ul style="list-style-type: none"> <li>• Housing Supply &amp; Homelessness – Update.</li> <li>• Deprivation of Liberty Safeguards (DoLS) Update.</li> <li>• 2015/16 Audit and Risk Management Service Progress Report.</li> <li>• Audit Committee Self- Assessment of Effectiveness.</li> <li>• Care Act 2014 – Progress Update.</li> <li>• Grant Thornton – Grant Certification Report.</li> <li>• BDO – Validation &amp; Substantiation of Property Valuations.</li> <li>• Enfield 2017 Update.</li> <li>• Monitoring of The Property Procedure Rules.</li> <li>• RIPA Update.</li> </ul>
<p>3 March 2016</p>	<ul style="list-style-type: none"> <li>• 2016/17 Draft Audit Planning Report – BDO.</li> <li>• Treasury Management Strategy and Prudential Indicators 2015/16</li> <li>• 2015/16 Audit &amp; Risk Management Service Progress Report.</li> <li>• Draft 2016/17 Internal Audit Plan and Internal Audit Charter.</li> <li>• Whistleblowing Policy.</li> <li>• Departmental and Corporate Risk Registers – Update Report.</li> <li>• Local Authorities Trading Companies Update.</li> <li>• Audit Committee Name Change and Review of Terms of Reference.</li> </ul>