

**Audit & Risk
Management
Committee Annual
Report
2016/17**

CHAIR'S INTRODUCTION

I am very pleased to present this Audit & Risk Management Committee Annual Report for 2016/17 to both the Committee and to full Council.

The report shows that the Audit & Risk Management 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 2016/17. My thanks also go to 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 Mary Maguire
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 2016/17, in addition to holding briefing sessions, as the need was identified. (See section 21).

During 2016/17 our membership was:

Councillor Mary Maguire	Chair
Councillor Guney Dogan	Vice - Chair

Councillors Robert Hayward, Jansev Jemal, Terence Neville OBE JP, George Savva OBE 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 2016/17 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 2016/17.

3. THE 2015/16 INTERNAL AUDIT ANNUAL REPORT

In July 2016 we considered the 2015/16 Internal Audit Annual Report. This summarised the work of the Internal Audit section for the year 2015/16 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 2015/16 Internal Audit programme had resulted in 63% of audits with positive assurance, compared to 37% with Limited or No assurance.
- The approved Internal Audit Plan for 2015/16 included a total of 53 audits. As a result of changes made to the approved plan, a total of 85 assignments were undertaken in 2015/16, including 11 new reviews, three 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, 69% of high priority recommendations and 68% of medium priority recommendations had been implemented. However, this represented a reduction in the implementation rate compared to 2014/15, when 86% of high priority actions were fully implemented.
- As the Council continues to transform, internal audit work will continue during 2016/17 to advise the organisation regarding the adequacy and effectiveness of the control framework in ensuring the Council's safeguarding of assets, finances and service users.

4. THE INTERNAL AUDIT PLAN and INTERNAL AUDIT CHARTER 2017/18

The Internal Audit Strategy, Plan and Internal Audit Charter 2017/18 was considered at our meeting on 7 March 2017. 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 2017/18. 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 2016/17 Internal Audit Plan, with monitoring updates provided for each meeting. We focussed on progress with the number of reviews, reviewed details of high risk 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 in April 2015 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 new External Auditors (BDO LLP) 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 have also held private discussions with the external auditors and Head of Internal Audit & Risk Management.

BDO LLP also met regularly with the Section 151 Officer, 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 2016 we considered the 2015/16 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. CONTRACT WAIVER MONITORING AND PROCUREMENT SPEND 2014/15.

On 4 July 2016, we considered the contract waiver monitoring and procurement spend 2015/16.

The number of waivers for the period August 2015 to May 2016 was 17 which represented a total contract value of £1.228m. This was a significant decrease in the number and spend associated with waivers compared to the same period in the previous year, which was 40 waivers and a spend of £6.654m.

The new procurement and commissioning Hub, which came into operation in February 2016, replaced the old procurement board with a new board. The new hub will take a more strategic view of contracts in the pipeline to see if there is a need to buy. This should drive down spend with better value for money.

9. COUNTER FRAUD WORK

On the 4 July 2016 there was an update on the Counter Fraud Service and on 7 March 2017 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 2016, the Team had achieved:

- Successful conclusion of nine criminal prosecution cases including one involving a former Council employee.
- Overpayments of Housing Benefit, Council Tax Benefit, and Council Tax Support totalling £536k had been identified
- In partnership with the Council Housing Estate Management Team, recovered 76 properties that were being used unlawfully from Council tenants, plus a further 20 temporary accommodation from tenants no longer in occupation, valued at >£1.4m.
- During the year the Corporate Fraud Team has continued, through use of the DCLG funding awarded in 2014/15, to develop and enhance fraud prevention arrangements. Work under this project has identified savings of £393k from frauds prevented.

10. TREASURY MANAGEMENT STRATEGY STATEMENT & INVESTMENT STRATEGY 2016/17

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 2017/18 at the meeting on 7 March

2017. The report referenced the economic climate 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
- Off-setting Council investments to its short term loans.
- Council's borrowing limit as compared with other Local Authorities.
- Financial reporting transparency and clarity
- Cost of borrowing and affordability.

As recommended by the CIPFA code, the Council needs to produce 3 main reports each year:

- Treasury Management Strategy 2017/18.
- Mid-year Treasury Management report.
- Annual Treasury Management Out-Turn report.

11. MANAGING THE SAVINGS

At the meeting held on 1 November 2016, an overview report was heard on the savings monitoring process undertaken in determining the progress in achieving the Council's savings. The report was presented by Isabel Brittain (Assistant Director – Corporate Finance).

Approximately, £13m worth of savings had been identified across the whole year for each of the service areas.

The savings identified in 2015/16 were now fully accomplished and the savings for 2016/17 were mostly being achieved.

12. 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. This leadership programme had been devised by the Society of London Treasurers and Grant Thornton in 2014.

A further update was heard at the 29 September 2016 meeting. In 2015 2 cohorts had gone through the programme, equating to 54 officers who had taken part. By the end of 2016, 3 cohorts and 72 officers had taken part in the programme across London Council's. Enfield has had 12 members of finance staff who have been through this process.

13. AUDIT COMMITTEE EFFECTIVENESS AND LEARNING DEVELOPMENT PLAN

At the meeting held on 29 September 2016, the Head of Internal Audit & Risk Management presented the results of the Committee's self -

assessment of effectiveness and the results of Members' self – assessment of skills and experiences, to identify potential training needs. The Committee felt it needed further training in 3 areas. The Head of Internal Audit & Risk Management would be addressing the 3 identified areas in future.

14. OPERATIONAL AND STRATEGIC RISK REGISTERS UPDATE.

At the meeting held on 29 September 2016, the Committee received an update on the Council's operational and strategic risk registers. To ensure that risk registers closely reflect the Council's re-structure and operating model, the departmental risk registers had been re-named as the 'operational risk register'. A timetable of the reporting of risk registers had been prepared to enable the team to present risk registers in smaller but more frequent reports, which would allow the Committee to consider risks in more detail. There would also be a representative from relevant departments attending each quarterly meeting to provide further information and advice to member enquiries.

A further report was also heard at the meeting on 12 January 2017 presenting registers for strategic risks and the Service Enabling, Customer Gateway & Business Intelligence operating risks (Service Enabling). The report detailed a summary of the risks and a current assessment, including a heat map, showing the number of risks that were either green, amber or red. The Service Enabling register consisted of 10 risks of which 40% were assessed as low (green) and 60% as medium (amber). The strategic risk register consisted of 5 risks of which 40% were assessed as high (red), 40% as medium (amber) and 20% as low (green).

The Head of Human Resources Operations (Service Enabling Register) and the Executive Director of Finance, Resources & Customer Services (Strategic Risk Register & Service Enabling Register) were present at the meeting to take any questions from Members regarding their respective risk registers.

A further report was heard at the meeting on 7 March 2017, presenting a summary of risk registers for the Service Delivery operating areas covering Health, Housing & Adult Social Care (HHASC), Children's Services and Regeneration & Environment. The Service Delivery risk register consisted of 27 risks of which 11% were assessed as low (green), 74% as medium (amber) and 15% as high (red). Representatives from the relevant service areas were in attendance for this meeting to answer member questions about their relevant registers: the Executive Director of Children's Services, the Executive Director of Regeneration & Environment, Assistant Director of Strategy & Resources (HHASC) and the Head of Strategy & Development (HHASC).

15. 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. A further 6 month update report was also requested and this was heard at the 4 July 2016 meeting.

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

- DoLS referrals had doubled with continuous assessment needs increasing.
- Complex and extreme DoLS cases are being prioritised, supported by an increase in training for social workers.
- DoLS inspections carried out on a monthly basis by social workers. DoLS cases can be referred to the Court of Protection where it has not been possible to resolve the matter with the managing/supervising Authority.
- Law Commission report regarding the consultation on the law of mental capacity and the deprivation of liberty, published on 25 May 2016. A final report and draft bill is to be published with recommendations in December 2016. Local Authorities to implement the recommendations, however, Enfield were already in a good position as regards DoLS.

16. ANTI-MONEY LAUNDERING POLICY & GUIDANCE

On the 12 January 2017, the Committee considered an update on the refreshed Anti-Money Laundering Policy and Guidance. The policy was last presented to the Committee in 2015.

The Council is required to have an anti-money laundering policy so as to enable it to comply with legislation. The Money Laundering Reporting Officer (MLRO) is Christine Webster (Head – Internal Audit & Risk management) and the deputy MLRO is Bob Cundick (Counter Fraud Manager).

Issues raised in response to the policy by the committee included the following:

- The level of cash that people could pay into the Council was £12k (15,000 Euros), as a one off transaction.
- The main area of concern for the Council are property sales particularly right to buy transactions. There were a number of controls in place to combat right to buy cases and many had been prevented.

17. AUDIT AND RISK MANAGEMENT SERVICE PROGRESS REPORT

Arising from the 29 September 2016 meeting and reported under the Audit and Risk Management Service Progress Report, there had been some updates on the audits that were completed during 2015/16 but were given 'no assurances'. At the July 2016 meeting the Committee requested updates on 3 audits given a 'no assurance' rating. These were:

- Payments to families with no recourse to public funds
- Private Sector Leasing
- IT Disaster Recovery

Managers responsible for those audits attended the meeting on the 29 September 2016, provided paragraphs within the progress report and were available to answer questions from the Committee in response to their short reports

Further follow up reports were also heard at the 12 January 2017 committee meeting regarding the 3 'no assurance' audits, listed above. Officers reported progress on each of their respective services and the measures that had been put in place to address the 'no assurance' ratings.

18. INFORMATION GOVERNANCE

An Information Governance update for 2015/16 was heard at the 4 July 2016 meeting. The briefing note provided an update to the Committee on the work of the Information Governance Board, the Council's performance of Freedom of Information Act and Data Protection Act requests, security incidents and complaints that have been referred to the Information Commissioners Office (ICO).

At the 1 November 2016 Committee meeting a mid-year review update report for 2016/17 was heard.

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. The authority had one application for directed surveillance which had gone through the local magistrate's court to approve the use of RIPA. This was heard at the Committee meeting held on 29 September 2016.

The Council was inspected by the Office of Surveillance Commissioners on the 27 March 2017. A report regarding the visit would be heard at the Committee meeting to be held in July 2017.

20. TRAINING AND BRIEFING SESSIONS

The following sessions were held during 2016/17:

- Briefing regarding actions to enable the earlier closure of the Annual Accounts presented by Roy Baker (Assistant Head of Finance) – 12 January 2017.
- Treasury Management Training presented by Cagdas Canbolat (Finance Manager) – 12 January 2017.

- There were 5 private meetings held, over the course of the municipal year, between the Auditors (BDO and Members of the Committee.

22.

WORK PROGRAMME 2017/18

We have agreed our work programme for the current year.

23. CONCLUSION

Overall we feel that we fulfilled our role and responsibilities successfully during 2016/17. We would like to express our appreciation to staff both within the Council and our External Auditors (BDO LLP) who have contributed to our work and supported us throughout the year.

Summary of Audit & Risk Management Committee Work Programme 2016/17

Date of Meeting	Reports Considered
4 July 2016.	<ul style="list-style-type: none"> • Contract Waiver Monitoring and Procurement Spend 2015/16. • Deprivation of Liberty Safeguards (DoLS) – 6 month update. • 2015/16 Draft Annual Statement of Accounts & Draft 2015/16 Annual Governance Statement. • Internal Audit Annual Report 2015/16. • Counter Fraud Service 2015/16. • 2015/16 Information Governance Update. • BDO (External Audit) – Audit Progress Report • Scrutiny of RIPA Statistics Update. • Audit Committee Annual Report 2015/16 • Work Programme • Private meeting between the Auditors (BDO) and members of the Committee
1 September 2016	<ul style="list-style-type: none"> • Draft Statement of Accounts 2015/16, Draft Annual Governance Statement 2015/16 & Question /Response Document. • Work Programme • Private meeting between the Auditors (BDO) and members of the Committee
29 September 2016	<ul style="list-style-type: none"> • BDO (External Audit) – Audit Completion Report on Statement of Accounts 2015/16 and Use of Resources. • LBE Audited Council Statement of Accounts 2015/16 & Annual Governance Statement 2015/16. • 2016/17 Audit & Risk Management Service Progress Report. • Audit Committee Effectiveness and Learning Development Plan. • Operational & Strategic Risk Registers Update • Scrutiny of RIPA Statistics Update. • Financial Resilience Capacity Building Programme Update. • Work Programme • Private meeting between the Auditors (BDO) and members of the Committee
1 November 2016	<ul style="list-style-type: none"> • BDO (External Audit) – Annual Audit Letter 2015/16 • 2016/17 Audit and Risk Management Service Progress Report. • Corporate Risk Management Strategy. • BDO (External Audit) Progress Report to 24 October 2016. • 2016/17 Information Governance Mid-year Review

	<p>Update.</p> <ul style="list-style-type: none"> • Managing the Savings. • Scrutiny of RIPA Statistics Update. • Work Programme • Private meeting between the Auditors (BDO) and members of the Committee
12 January 2017.	<ul style="list-style-type: none"> • Changes to Arrangements for the Appointment of External Auditors. • Risk Registers Update – FRCS, Chief Executive, Strategic Risks – Service Enabling Gateway & Business Intelligence. • Anti-Money Laundering Policy & Guidance. • Audit & Risk Management Service – Progress Report & CCAS Annual Report. • Children’s Services – Report on the Review of its New IT System Regarding Payments to Families with no Recourse to Public Funds (NRPF). • Private Sector Leasing – Report on the Progress of Gas Safety Certificates. • Corporate IT Disaster Recovery - Report on the Outcome of New Processes & IT System. • External Audit Certification Report (BDO) • External Audit Progress Report (BDO) • Work Programme
7 March 2017	<ul style="list-style-type: none"> • 2016/17 Audit & Risk Management Service Progress Report. • Service Delivery Risk Registers Update – Childrens’ Services, HHASC and Regeneration & Environment. • DRAFT 2017/18 Internal Audit Plan and Internal Audit Charter. • Counter Fraud Strategy and Action Plan. • 2017/18 Treasury Management Strategy & Prudential Indicators. • Scrutiny of RIPA Statistics Update. • BDO (External Audit) – 2016/17 Audit Plan. • BDO (External Audit) – Progress Report. • Work Programme • Private meeting between the Auditors (BDO) and members of the Committee