

**MINUTES OF THE MEETING OF THE AUDIT AND RISK MANAGEMENT
COMMITTEE
HELD ON THURSDAY, 24 JANUARY 2019**

COUNCILLORS

PRESENT Mahym Bedekova, Birsen Demirel, Tim Leaver, George Savva MBE, Hass Yusuf, Lee David-Sanders and Peter Nwosu

ABSENT Sabri Ozaydin

CO-OPTED

OFFICERS: Fay Hammond (Financial Management Services), Peter Alekkou (Finance & Corporate Resources), Matt Bowmer (Interim Director of Finance), Jeremy Chambers (Director of Law and Governance), Claire Reilly (Corporate Procurement), Sally Sanders (Resources) and Gemma Young (Head of Internal Audit and Risk Management) Metin Halil (Secretary)

Also Attending: David Eagles (BDO), Andrew Barnes (BDO)

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WELCOME AND APOLOGIES FOR ABSENCE - 19:00 - 19:05

Councillor Mahym Bedekova (Chair) welcomed everyone to the meeting.

Apologies for absence were received from Councillor Ozaydin.

Apologies for lateness were received from Councillor Leaver.

A minutes silence was held for the victims of the Holocaust.

There was a Treasury Management training session in Room 1 at 06:30pm ahead of the committee meeting itself at 07:00pm.

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DECLARATION OF INTEREST

There were no declarations of interest.

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BDO - ANNUAL AUDIT LETTER 2017/18 - 19:05 - 19:15

RECEIVED from BDO (external auditors) the LBE and Pension Fund Annual Audit Letter 2017/18.

NOTED

1. David Eagles (BDO) introduced Lucy Trevett who was the new Audit Manager.
2. This was BDO's annual summaries of public facing documents to summarise the audit. There were findings in the report that the committee had already seen previously in the 2017/18 audit.
3. BDO's opinion on the financial statements was unmodified and unqualified. As detailed in the executive summary (page 2 of the report), five material misstatements had been identified and were amended by management. Ten further errors had been identified which would increase the deficit for the year by £5.2m. These were not material and thus were not corrected by management.

In terms of the use of resources, two significant areas were looked at:

- Financial sustainability – satisfied that the Council has appropriate arrangements to continue to remain financially sustainable over the period of the MTFS.
- Regeneration scheme at Meridian Water – The Council had appropriate arrangements to manage this project and BDO would continue to monitor progress as developments are made.

BDO had not exercised any statutory powers during the year and there are some ongoing objections from previous years which are being brought to a conclusion.

4. The following questions and queries raised in response to the report:
 - a. Councillor David-Sanders comments that the report informed him of the items that he had missed as a new member to the Committee. It was a good report which had brought him up to speed despite having missed the first 3 meetings of the Municipal year.
 - b. Councillor Yusuf explained that at the last meeting he had attended, BDO were behind in the sign-off of the 2017/18 accounts and were experiencing staffing issues. David Eagles clarified that the staffing issue related to the availability of some staff at critical points in time and not the level of resource for the audit team.

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An action plan was presented, because of last year's audit, highlighting what is going to be done. This is a change for both sides of the Audit team in terms of officers and BDO's team. A gantt chart was created detailing a list of tasks setting out how each step of the audit would be done and that is still on target.

There are risks that may not be completed by the end of January 2019, as originally agreed, but what has been agreed with officers is to receive an incomplete set of accounts that BDO can start working on.

- c. Councillor Savva referred to the potential risks that was mentioned and if BDO knew what those risks are and if they could be addressed at this stage. David Eagles clarified that there are risks around what may threaten BDO's ability to meet the account sign off deadline. Everything BDO had agreed to do are presently on track. There is a small risk of not having the re-stated set of accounts at an early stage for BDO to look at from officers. BDO would be happy to look at what is available, by the end of January 2019.

Fay Hammond (Director of Finance) also clarified that finance had been asked by BDO to consolidate last year's accounts differently so that there is a prior year for Council's companies. Roy Baker (Assistant Head of Finance) is providing this work but it can be difficult to do earlier. Finance would do what it could and keep working through.

However, Roy Baker is leaving the council, after 10 years, at the end of March 2019. As this is now a risk to delivering the 2018/19 statement of accounts, finance have appointed an interim straight away rather than waiting until an experienced interim is available. The interim officer is starting at the beginning of February 2019 so will have a month with Roy Baker for handover purposes. The process to recruit a permanent member of staff has begun with an advert going out next week. Finance have tried to mitigate this risk and have put measures in place to do so.

David Eagles further comments that the Roy Baker resourcing risk was not in the plan but in terms of re-stating the accounts, it was good that Roy would still be in post until the end of March 2019. He agreed that finance had done all it can to mitigate this risk.

5. The Chair thanked David Eagles and Lucy Trevett for the report.

AGREED that the Annual Audit Letter 2017/18 be noted.

RECEIVED from BDO (external auditors) the London Borough of Enfield and Group Audit Plan 2018/19.

NOTED

1. Lucy Trevett drew the committee's attention to page 19 of the report which set out BDO's timetable for the next 6 months.
2. Interim field work was already underway, which was earlier than normal. BDO ensured that all the systems and controls were working, in November 2018. The audit team would be on-site for the next few weeks and will come back in March 2019 to work on the second interim phase. BDO were trying to do as much testing as they can so that any identified issues are dealt with at an earlier stage thus reducing risks.
3. As detailed on page 21 of the report, BDO's materiality level has been based on the 2017/18 figures and therefore the figures in the report are for the same materiality level for last years audit. However, at the end of May 2019 when BDO receive the draft accounts from officers, the materiality figures will be updated and reported back to the committee. The materiality levels have been set at £19.9m for the group and £19.8m for the council. BDO have also set their clearly trivial threshold, so anything identified above that threshold would be reported.
4. As detailed on page 22 of the report, the overall Audit strategy has been set out. This year, the council are including all their subsidiaries in the group accounts. This is ongoing and being completed and the strategy itself had not changed.
5. As detailed from page 25 of the report, significant risks of the audit register are set out:
 - Management Override
 - Non-current asset valuations
 - Pension liability assumptions
6. As detailed on page 28 of the report, two new accounting standards are coming in for 2018/19:
 - Implementation of IFRS 9
 - Implementation of IFRS 15
7. As detailed on page 29 of the report, two further risks had been identified but are not significant:
 - Related party transactions
 - Revenue recognition
8. As detailed on page 30 of the report as part of BDO's use of resources work, 2 risks:
 - Sustainable finances
 - Meridian Water & other regeneration projects – Ensuring that the council will deliver the project.
9. The following questions and issues raised in response to the report:
 - a. Peter Nwosu (Independent Member) asked for clarity regarding the timetable (as detailed at page 19 of the report). What was the output of BDO's work regarding phase 1 and phase 2 (interim work). Was there a report or summary of the 4 weeks

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interim work done in January 2019. David Eagles clarified that BDO had gone through the council's systems work to ensure that they are working as BDO expect them to. At the next Audit & Risk Management Committee (6 March 2019) there would be a progress report to explain what was done and found from the interim work i.e. significant deficiencies in the controls. If there were none found BDO would report that no major issues had been found yet.

- b. David Eagles highlighted an issue, as detailed on page 23 of the report, regarding the subsidiary auditor to Housing Gateway Ltd. Moore Stephens Northern Home Counties Ltd and BDO were in the process of completing a merger with part of the Moore Stephens network. This was not the Enfield office which provides the audit to the subsidiaries. There would be no conflict as it involved a different set of officers.

AGREED to note the London Borough of Enfield Audit Plan 2018/19.

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BDO - PENSION FUND AUDIT PLAN 2018/19 - 19:25 - 19:35

RECEIVED from BDO the Pension Fund Audit Plan 2018/19.

NOTED

1. This report was a similar layout to the previous report at agenda item 4. As set out on page 41 of the report, there is an engagement timetable, identifying key dates /meetings for the production and approval of the audited financial statements pertaining to the Pension fund. The pension fund financial statements were signed off on time last year. There were no significant changes to that and BDO were doing as much up-front work as they can do to minimise the risk of missing the 2018/19 deadline for the pension fund audit.
2. Materiality levels are set out on page 43 of the report and again shows the previous year's audit figures which will be updated when BDO get the draft accounts through.
3. As detailed from page 45 of the report, the significant risks are listed. BDO would again be looking at journals and estimates of areas where the accounts can be manipulated. However, there was no heightened risk for the pension fund.
4. As detailed at page 46 of the report, the fair value of investments of the pension fund would be looked but only those investments where they are not listed, so would therefore be private equity.
5. As detailed at page 47 of the report, pension fund liability assumptions. BDO had used the same work, as was done for the council accounts, to meet both sets of risks. Because pension fund items are so susceptible to variations on estimates i.e. rates of inflation, salary

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growth, mortality rates, etc.,. A tiny percentage variance can have a very significant impact.

The above are the only significant risks identified.

6. As detailed from page 48 of the report, the normal risk areas. David Eagles highlighted the fair value of investments risk. BDO would make sure that this risk was still appropriate by looking at information produced by fund managers to support this risk.

AGREED to note the Pension Fund Audit Plan 2018/19.

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TREASURY MANAGEMENT STRATEGY - 19:35 - 19:50

RECEIVED a report from the Director of Finance setting out the Council's 2019/20 Treasury Management Strategy Statement & Prudential Indicators.

NOTED

1. The report was presented by Paul Reddaway (Head of Finance Pensions Investments).
2. This was one of the team's key financial reports and is part of a suite of reports that is heard at Cabinet (13 February 2019) and at Council (27 February 2019) for agreement. The report is currently at draft stage and the team are continuing to work on the key documents that align with it, the Capital Strategy and Medium Term Financial Plan (MTFP).
3. Prior to this year, this report was always brought to Audit Committee in March, however, this was late as it had already been heard at Council and approved. As good practise, it has been brought to this committee before Cabinet and Council for members scrutiny.
4. The first part of the strategy deals on how the council borrows to finance its capital projects. A large proportion of that capital programme is related to the Meridian Water project. In terms of council borrowing for the coming year, the team will go to the Public Works Loans Board in the main, which is the government's primary resource. This gives the council considerable flexibility about the length of the loan i.e. it could be 1 – 50 years depending on rates of interest. This would be where the council would make most of its borrowing.
The Council also borrows short term, however there is a risk here of interest rates rising. The Council therefore has flexibility to move borrowing into larger term loans.
5. Treasury Management also have to consider how the council borrows in the context of the economic climate. This year has been the most uncertain outlook for a while with issues around Brexit. Surprisingly interest rates have not been greatly impacted by any of the decisions made by parliament. Treasury would be able to borrow, for example, 20 years at 2.5% - 2.8% and will use the present economic climate to their advantage. They would look at opportunities where interest rates spike

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downwards and be proactive. They would also work closely with their Treasury Consultants.

6. Part of the Treasury strategy is to look at the Council's investments. The Council has low investments as it is cheaper to use its own cash rather than to borrow. But the cash held by the Council tends to fluctuate over the actual month. Treasury would therefore be looking to hold cash funds over short-term periods from banks and other organisations. So cash holdings will be spread over different financial institutions to ensure the risk is spread, which was a decision that was made.
7. As detailed at point 4 (pages 12-15) of the report, this sets out the minimum revenue provision. This is a calculation of the amount the Council pays from what it borrows for the year. Repayments are based on the economic life of the asset.
8. As detailed at point 5 (pages 15 – 16) of the report, the prudential indicators, which ensure that the Council's finances are prudent, affordable and sustainable, ensure that there is an overview and that it is maintained. And that the Council won't borrow beyond its authorised limits. The controls will be adhered to by officers during the financial year.

The Treasury Management team will be reporting both the out-turn for the previous year and the half year report at the October 2019 committee meeting. This will then give an indication of how Treasury Management is performing against the prudential indicators for transparency purposes.

9. The following questions and queries raised in response to the report:
 - a. Councillor David-Sanders asked for clarity relating to the entry at Q.3.7 (page 2 of 'To Follow' agenda) relating to the total amount of borrowing of the council as at 31 December 2018. Paul Reddaway clarified that the figure of £804m included the short-term borrowing amount of £135m.
 - b. Councillor Leaver asked how different this Treasury Management Strategy was from the last strategy. Paul Reddaway clarified that there was no great change and no changes to the prudential indicators. Interest rates had not changed since last year and there was no real concern about longer term interest rates going up. The team look at interest rates very closely with quarterly meetings with treasury management consultants regarding short term loans. If interest rates look likely to increase, then the team fixes rates early. Paul Reddaway meets with treasury management consultants weekly about interest rates and the opportunities to borrow. Cas investments remain low and have not changed. The council have used up all its internal borrowing and would be now more reliant on external borrowing going forward. Matt Bowmer (Interim Director of Finance) drew the committee's attention to Section 6 (pages 16-18) of the report, 'Related Matters' that details a couple of significant minor additions. The previous TM strategy was reliant on lending to the council owned companies (as detailed at paragraph's 6,8,9 & 10 of the report) and was previously reliant on lending to school's effectively (school's overdrafts – as

detailed at section 6.11 of the report). Other than these, the Treasury Management strategy is similar, to the one approved at Council last year.

Paul Reddaway further clarified the school's overdraft issue and that this had now changed. There are now several schools' in an overdraft position, so the council, rather than expose them to the bank's overdraft fees, would borrow on their behalf to minimise costs to those schools in an overdraft position.

- c. Councillor Leaver enquired how schools get into an overdraft position. Fay Hammond clarified that some schools do go into a deficit position because they are spending more than the budget allocated to them. Schools in this situation must produce a five-year recovery plan of how they are to get out the overdraft situation. These schools will work with the Local Authority to get back into the red. The council manages their position as this is a risk to how the school is run. The Council did not make any money from borrowing on behalf of schools, this was something the HSBC bank had asked the schools to do to support these schools.
- d. Councillor Leaver asked for confirmation that the council are increasing borrowing by £125m and with schemes going on, this will increase, over the next few years by £300m. Paul Reddaway confirmed that this was correct. Councillor Leaver's concern was that TM were changing the nature of the organisation it is funding. How, from a Treasury Management point of view, are they ensuring and accounting for that. Paul Reddaway clarified that there is good intention for departments to spend their capital budgets, according to the programme that sets out the estimates. Treasury Management (TM) would borrow early if interest rates start rising. TM would not want to carry excess borrowing because it can only lend out at 0.5%. TM would have to borrow at 2.5%, which something TM won't want to do. Matt Bowmer further clarified that the important thing is that the council's capital strategy, medium term financial plan (MTFP) and treasury strategy all must have the same numbers. The important thing is how this is managed during the year. Paul Reddaway and his team are in close contact with the capital team who monitor the capital programme with service departments. The monitoring is about where the spend is coming through and when the council does needs to borrow. The council's treasury advisers will advise TM of the best time to enter the borrowing market.

AGREED to note the Treasury Management Strategy 2019/20

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SERVICE ENABLING RISK REGISTERS - RESOURCES & CHIEF EXECUTIVE - 19:50 - 20:05

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RECEIVED the report of the Director of Law and Governance presenting the Service Enabling Risk Registers for the Chief Executives and Resources departments.

NOTED

1. A representative from each department has been nominated to attend this meeting to answer any questions Members may have relating to their register. Jeremy Chambers is representing the Chief Executives department and Fay Hammond is representing the Resources department.
2. A Corporate Risk Register is currently being developed and will be presented at the next Audit & Risk Management Committee meeting in March or June 2019.
3. As detailed in the report (3.5 - page 58) the register consists of 9 risks in total, 3 green (low), 6 amber (medium) and no red (high) risks in the service enabling operating areas.
4. Fay Hammond (Director of Finance) presented and discussed the Resources risks, as detailed at Appendix A (pages 61 – 62) of the report:
 - RES01 – Resourcing
 - RES02 – Value for Money
 - RES03 – Market Impact
 - RES04 – Staffing
 - RES06-Information Security
 - RES07 – Use of digital solutions – Fay Hammond felt that this risk may need updating as she didn't see a risk around the way it is described on page 62 of the report. The risk would need to be updated to reflect the current risk as opposed to what is shown in the report.
5. The following questions raised in response to the Resources risks:
 - a. Councillor Leaver asked when the original assessments were done. Fay Hammond clarified that the original assessment would have been quarterly, so 3 months ago. Gemma Young further clarified that it is about the unmitigated risk versus the mitigated risk. So, the original assessment is what the risk is, if the team do nothing. The current assessment is after the team put in the internal controls and they know where the risk sits. Risks are therefore updated quarterly, and any new risks identified would be discussed and actioned.
 - b. Peter Nwosu (Independent Member) enquired if the council are PCI (Payment Card Industry) compliant and if this is assessed internally or externally. Fay Hammond clarified that this is assessed externally.
 - c. Councillor David-Sanders asked when the Cyber Security Audit review take place. Fay Hammond would get back to the committee once she had spoken with Kari Manovitch (Acting Director of Customer Experience and Change).

(ACTION: Fay Hammond – Director of Finance).

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- d. Councillor David-Sanders questioned the Information Security risk and if the council were now fully compliant and complete as regards GDPR (General Data Protection Regulations). Jeremy Chambers (Director of Law & Governance) clarified that as the council's monitoring officer, the council is as compliant or better than any Local Authority. The reason being that the council are waiting for the Information Commissioner to do some more test cases on what the new regulations mean in practise. Jeremy Chambers was very comfortable that the Council is in the right place as regards the GDPR regulations. Gemma Young (Head of Internal Audit) also mentioned that there is also an audit on GDPR which she will be reporting on at the 6 March 2019 committee meeting.
- e. Councillor Leaver's comments about GDPR and if the council is comfortable with external organisations that it holds contracts with and managing those, as some of these organisations hold the council's account data which is shared with them. Jeremy Chambers clarified that he is comfortable with that. The council have a GDPR board, which the Head of Legal reports to him about. One of the work streams looked at is the compliance of the council's external contractors. If there are any likely GDPR issues, the council has an officer called Steve Durbin (Data Protection Officer) who is good at the aspects of GDPR and an expert. There are mature systems in place, that work well, including controls that extend into 3rd party external contractors.
- f. Peter Nwosu (Independent Member) regarding data security, what is the framework around training and educating staff. Claire Reilly clarified that there was online mandatory training. Officers would get reminded firmly if it isn't done. There are 4 modules which talk about information security, secure passwords, data protection, GDPR module, etc. These modules check staff understanding and HR track and record progress on their systems. Jeremy Chambers further clarified that, periodically, performance statistics and mandatory staff training is reported to DMT. He would check whether new councillors and councillors should also undergo the mandatory training as part of their induction training.

Councillor Yusuf asked if this mandatory training is also extended to all Councillors.

(ACTION – Jeremy Chambers (Director of Law & Governance)).

6. Jeremy Chambers (Director of Law & Governance) presented and discussed the Chief Executive department risks, as detailed at Appendix A (pages 62 – 63) of the report:
 - CEX01 – Adverse media relations
Jeremy Chambers would be reviewing mitigated risk score. He felt that the mitigating actions should have changed the current risk assessment score and should not be the same as the original assessment score.
 - CEX02 – Workforce and Succession Planning

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- Jeremy Chambers would be reviewing mitigated risk score. He felt that the mitigating actions should have changed the current risk assessment score and should not be the same as the original assessment score.
 - CEX03 – Controls and Assurance
Gemma Young (Head of Internal Audit & Risk Management) referred to the London Counter Fraud Hub (page 63 – mitigating action) and that the hub was in an experimental stage and that the council were waiting to see the results of the hub (Local Authorities sharing fraud information) because the structure of the deal, as presented, didn't really allow the council enough control over something that allows the council to spend money. This stance was reflected across Local Authorities in London.
7. The following questions raised in response to the Chief Executive Department's risks:
- a. Councillor Savva asked if staff training was underway. Gemma Young clarified that there is an ongoing programme of training for staff. The section had delivered a substantial amount of training for Housing. There is general training that staff from any department can attend. Housing is an area that is a big target for fraud and assets that can be obtained are more valuable i.e. right to buy, etc.
 - b. In response to Councillor Savva's enquiry about additional resources for the ARMS (Audit & Risk Management Service) team, Gemma Young was please to announce there were 2 apprentices joining the team.
 - c. Councillor Leaver asked for more information regarding the insurance service. As part of her team, Gemma Young clarified that the insurance team make sure the council has got adequate cover, which is tendered. They ensure they source best value for insurances for most of the council and some schools.
The council have in-house and external legal cover that looks at all received claims i.e. pot holes, trip incidents, etc. A high percentage of these are denied but Gemma Young would try and bring statistics for these to the March 2019 meeting.
(ACTION – Gemma Young – Head of Internal Audit).

AGREED to note the risks recorded in the Service Enabling Risk Registers and to note that the Corporate Risk Register will replace the Service Enabling and Service Delivery Risk Registers at future meetings.

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UNIVERSAL CREDIT UPDATE - 20:05 - 20:15

RECEIVED the report of the Head of Financial Assessment, providing an update on the risks associated with the rollout of Universal Credit.

NOTED

1. The report was presented by Sally Sanders (Head of Financial Assessment).
2. The report provides an update about the risks associated with the rollout of universal credit in Enfield and the risks associated with that.
3. Universal Credit (UC) is administered by the DWP (Department of Works and Pensions) but it is the impact it has on the residents and local authority of the risks and mitigation it is based on.
4. UC has been implemented in Enfield since July 2015 and then only those single people were affected with changes in their circumstances. It then moved on to the full rollout from November 2017 and the DWP gradually rolled that out across the three job-centre plus offices in Enfield. It was then rolled out to Palmers Green and finally to Edmonton in May 2018 which affected working age households with less than 3 children. This was where the council were with the UC rollout at present.
5. The second phase of the rollout will be next Friday 1 February 2019 and will affect everyone with 3 plus children. This would most likely affect the Edmonton area which has a higher concentration of 3 plus households and would pose more associated risks in those areas.
6. The next phase is due to start in July 2019. Once the full rollout is complete, after February 2019 (for 3 plus children families) the Government would then be looking at households that had not had a change in circumstances and introduce managed migration. This entailed looking at certain people with certain benefits. Benefits would then be ended, and those people would have 3 months to claim UC. However, the Government announced, 2 weeks ago, that this will now be delayed till 2020 and will be completed by 2023.
7. Mitigations in place to combat UC risks are detailed at 3.5 (page 66) of the report.
8. Point 3.6 (page 67) of the report, details where UC issues had been picked up from.
9. Point 3.8 (page 67) of the report, details some changes to the design of UC by the Government, which have continued to be made in response to significant concerns.
10. Point 3.9 (page 68) of the report, details the impact of UC on Housing Benefit, Council Tax and rent collection as at 31 December 2018.
11. In response to the Chair's request for any questions or comments, the following were discussed:
 - a. Councillor Yusuf's statement that 50% of resident enquiries, as councillors, is around UC and was a great deal to cope with. UC is causing a lot of misery to people with the Government continually moving the goal posts and the Council doing what it can. It is difficult for councillors to resolve these resident enquiries. Was there a timeline for resolution of these UC issues, so as to assure residents. Sally Sanders clarified the delay with the managed migration was due to the Government wanting to look at this all again before they start to roll it out. The department are aiming to give councillors help by arranging a

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workshop. Councillors would then be better informed to help residents. This was officers' aim of further mitigation, going forward.

- b. Councillor Savva's comments that constituents go to see councillors about UC issues because the council's IT system was not user friendly to interrogate. Residents could not access latest information about UC for themselves. How would a resident who refuses to open a bank account receive UC. Sally Sanders clarified that this was one of the requirements of UC to be paid. Claimants must have a bank account. Its about what help there is to assist people to open a bank account. Fay Hammond also clarified that perhaps the credit union would be able to help these residents to open a bank account. There was also a Metro Bank opening up in the Town shortly. Councillor Demirel said that people should also register to vote as this helps with identification, when opening a bank account.
- c. Councillor Savva asked if the credit union would come and give the committee a briefing. Fay Hammond clarified that her team would be thinking about engaging with the credit union and Citizen's Advice Bureau's. She would get a strategy together. Sally Sanders added that when the workshop for councillors is set up the DWP would be invited to attend along with the credit union and CAB.

ACTION: Fay Hammond – Director of Finance/Sally Sanders – Head of Financial Assessment.

12. The Chair thanked Sally Sanders for her report.

AGREED that Audit & Risk Management Committee note the contents of the report and the risk and mitigation register.

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CONTRACT WAIVER MONITORING AND PROCUREMENT SPEND 2017/18 - 20:15 - 20:25

RECEIVED the report of the Director of Commercial presenting the Contract Waiver Monitoring and Procurement Spend 21017/18.

NOTED

1. The report was presented by Claire Reilly (Head of Service – Corporate) and Peter Alekkou (Head of Service – Place).
2. In terms of the Contract Procedure Rules (CPR), which form part of the constitution, there is talk about waivers and the governance around procurement which is set out in the report.
3. For 2017/18, the department issued one waiver. This was a falling trend because in 2014/15 there were 40 waivers which averages out to 4 last year and for this year (2017/18) there was one.

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4. At point 3.7, there was a typing error regarding waiver values, which Claire Reilly apologised for.
5. Peter Alekkou explained the circumstances around the one waiver for 2017/18, as detailed at 3.8 – 3.10 (pages 72 – 73) of the report.
6. Claire Reilly reported on the procurement spend for 2017/18, as detailed at point 3.12.1 – 3.12.2 (pages 73 – 74) of the report. Peter Alekkou and Claire Reilly would be running a seminar next month at the Enfield Business Centre. Peter Alekkou will be a key note speaker at the seminar and will be encouraging the local market to attend. With Enterprise Enfield, he will be explaining to the local market how to do business with the council i.e. how to write and win bids. The event is advertised on the Enterprise Enfield web site and interest can be registered there. Peter and Claire would also send details to the committee administrator for circulation to members.

(ACTION – Metin Halil (Committee Administrator)

Post meeting note – An e-mail from Claire Reilly was circulated to committee members on the 29 January 2019 providing details of the Enfield Enterprises seminar and events/booking page.

7. As detailed at figure 4, page 82 of the report, a top 50 suppliers list for information.
8. The following questions and queries raised in response to the report:
 - a. Peter Nwosu (Independent Member) wanted clarity around Claire Reilly's and Peter Alekkou's roles in Procurement. Peter Alekkou clarified that the way to look at their roles is as category needs for people, place and the environment plus resources which is more corporate. Peter is concerned with construction and procurement projects like Meridian Water and Claire is more concerned with people, helping with Adult Social Care procurement, children, etc.
 - b. Councillor Leaver's comment about whether the 2017/18 one waiver was really a waiver. Peter Alekkou clarified that as far as they viewed it, it is a waiver. They had the advantage of having a bid that they could review and negotiate with the supplier and to be able to actually go ahead and do a direct award. Claire Reilly further clarified that they had a report coming to the 6 March 2019 committee meeting which is about the Contract Procedure Rules. Members could then look at the rules in terms of whether they are amended to take on members suggestions. It is just a way of an audit trail to make sure the team are transparent about how things are done in procurement.
 - c. Peter Nwosu asked for confirmation about the Adam spend of £30m on temporary accommodation (as detailed on page 74 of the report). Claire Reilly confirmed that it was a very large spend on temporary accommodation. Adam helps the council find temporary accommodation, when needed, by using this piece of software. Estate agents would send the team bids of properties and they would then look and place people in temporary accommodation. Typically, those properties would be local and therefore rents received go to local people. Peter Alekkou further clarified that Adam is a validation and accreditation on the agents the council does business with. It is also like a consolidated spend with a single

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invoice. Estate agents would do the consolidation of many invoices into one and present one single invoice to the department.

- d. Councillor Leaver asked what locally meant in relation procurement asking for at least one quote locally. Claire Reilly clarified that procurement would look for bids within Enfield and just outside the borough boundary as well. London can be local, and the team could not discriminate from a procurement point of view. They could not stipulate 'must be local' but the team could try to encourage the local economy by making it easier for local suppliers to do that. Its about informing the supply chain where to look for business and to have opportunities in areas they want.

AGREED to note and consider the contract waivers awarded in the reporting period, to note the reduction in the number of waivers over the past 12 months and to note procurement spend in 2017/18 financial period.

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INTERNAL AUDIT PROGRESS REPORT 2018/19 - 20:25 - 20:35

RECEIVED the report from the Director of Law and Governance presenting the 2018/19 Audit & Risk Management Service Progress.

NOTED

1. The report was presented by Gemma Young (Head of Internal Audit & Risk Management) and updates the committee on the service with management progress on agreed actions and outcomes of the service.
2. The team had started 62 assignments which is 95% of the audit plan and 26% of the current plan had been fully completed. At the same period in 2017/18 99% of assignments had commenced with 31% completed. On page 86 at point 3.4 of the report, a bar chart details this. Gemma Young was confident that the team would deliver the audit plan by the year end of 2018/19.
3. As detailed at point 3.5 (page 87) there had been a lot of changes to the audit plan. Twenty new assignments had been added and seven deferred/cancelled.
4. As detailed at point 3.6 (page 87) of the report, regarding the 17 completed audit assignments. There had been 5 management letters, 3 substantial ratings, 5 reasonable ratings and 3 limited ratings.
5. As detailed at 3.7 (pages 87-89) of the report regarding the reasoning behind the Limited Assurance opinions:
 - Communal Assets
 - The Latymer School
 - Repairs and Maintenance (Responsive Repairs)
6. As detailed at 3.8 – 3.10 (page 89) of the report regarding Managers' progress with implementing internal audit actions.
7. As detailed at point 3.11 (page 90) of the report regarding Counter Fraud achievements.

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8. As detailed at point 3.12 – 3.14 (Pages 91-92) regarding the Counter Fraud highlights:
 - Council Housing
 - No Recourse to Public Funds (NRPF)
 - Major Works Review
9. The following questions and queries raised in response to the report:
 - a. Councillor Savva questioned Chart 1 (page 86) of the report and what the percentages meant regarding assignments not started. Gemma Young clarified that it meant 1% of audits in 2017/18 had not started and 5% of audits in 2018/19 had not been started. For 2018/19, this represented 2-3 audits, but the team were still on track to complete the audit.
 - b. Councillor Savva enquired if it was the same departments holding up audits. Gemma Young clarified that there were offenders across the council, who did not take it seriously enough. They did not understand the context of reporting back to Senior Management Team and members, who require this information.
 - c. Peter Nwosu (Independent Member) referred to the completed high-risk findings for Communal Assets (page 87 of the report) and the raising of invoices risk. Gemma Young clarified that the risk there was overcharging or not charging enough. However, no evidence had been found.
 - d. Peter Nwosu (Independent Member) queried the Latymer School high risks and asked if this was an independent school. Gemma Young clarified that the school is partly funded by the Council and is selective rather than independent. The team only looked at those schools maintained by the local authority.
 - e. Peter Nwosu (Independent Member), regarding managers progress/implementing audit actions, asked if managers are provided with deadlines/timelines to action recommendations and if so, what the percentage is, in terms of implementation by the deadlines. Gemma Young would investigate and report back to the committee.

ACTION: Gemma Young (Head of Internal Audit & Risk Management)

Managers that miss the deadlines have to attend the Assurance Board to explain and provide assurance.
 - f. Gemma Young reported that there had been an error in the date at 3.10 of the report. Therefore 45% of high-risk actions were implemented by 1 December 2017 and not 1 December 2018.
 - g. Councillor Leaver referred to the Counter Fraud progress report at point 3.11 (page 90) of the report and that there should be a comparison of the figures from the previous year and how the targets were set. Were they meaningful targets? Gemma Young clarified that the team benchmarks across other London Boroughs. It depends on what the housing stock is, but generally London boroughs are aiming for between 50 and 65 council, housing recoveries.

AGREED to note the progress made in delivering the Audit & Risk Management Service's 2018/19 work plan and the outcomes achieved to date, to note managers' progress with the implementation of agreed actions arising from internal audit work and to note the outcomes from the work of the Counter Fraud Service to date.

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BREXIT RISK FOR LOCAL AUTHORITIES - 20:35 - 20:45

RECEIVED from the Director of Finance a report summarising the Brexit risk for Local Authorities.

NOTED

1. One of the risks the Council is facing is Brexit.
2. As the Audit & Risk Management Committee, officers and members would like to know what the council is doing in terms of processes.
3. This report updates members on what is happening with the Brexit risk and how the council is managing it, what the council is doing and where they are so far.
4. Fay Hammond (Director of Finance) presented the slides in her report, as detailed at pages 37 – 40 of the 'To Follow' agenda:
 - Preparing for Brexit: Response so far.
 - Main actions underway.
 - Next steps – Would be a list of risks and mitigations.
5. Fay Hammond also reported that what the council is thinking about and doing is whether some of these risks are material, mitigated or unmitigated.

The objective is to provide members with re-assurance that the council is on the case, are thinking about Brexit and responding to questions from London Councils about what we as a council are doing about Brexit. There may be funding available from DCLG for Brexit, so the council needs to be ready so as to apply for that funding.
6. A further Brexit update will be heard at the 6 March 2019 committee meeting.

AGREED to note the Brexit risk for Local Authorities.

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MINUTES

AGREED that the minutes of the Audit Committee meeting dated 6 December 2018 be approved and signed as a correct record.

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**AUDIT & RISK MANAGEMENT COMMITTEE WORK PROGRAMME
2018/19**

RECEIVED an outline work programme for the Committee covering the 2018/19 Municipal Year Committee.

AGREED to approve the outline work programme for 2018/19 subject to the addition of the following:

- Brexit risk to Local Authorities - update.

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DATES OF FUTURE MEETINGS

NOTED the dates of future meetings:

Wednesday 6 March 2019

(All meetings to commence at 7.00pm unless otherwise agreed.)