

**Audit & Risk  
Management  
Committee Annual  
Report  
2018/19**

## **CHAIR'S INTRODUCTION**

I am very pleased to present this Audit & Risk Management Committee Annual Report for 2018/19 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 2018/19. 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 Mahym Bedekova  
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 7 times during 2018/19, in addition to holding briefing sessions, as the need was identified. (See section 20).

During 2018/19 our membership was:

Councillor Mahym Bedekova	Chair
Councillor George Sawa	Vice - Chair

Councillors Birsen Demirel, Tim Leaver, Sabri Ozaydin, George Sawa OBE, Jon Daniels, Gina Needs, Hass Yusuf (from 26 July 18), Lee David-Sanders (from 6 December 18) and Peter Nwosu (Independent Member).

## **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 2018/19 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 2018/19.

### 3. THE 2017/18 INTERNAL AUDIT ANNUAL REPORT

In June 2018 we considered the 2017/18 Internal Audit Annual Report. This summarised the work of the Internal Audit section for the year 2017/18 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 governance, risk management, internal control provided are **generally satisfactory with some improvements required**. However, there are some areas of inadequacy or non-compliance that potentially put the achievement of objectives at risk. Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and internal control.
- The 2017/18 Internal Audit programme had resulted in 72% of audits with positive assurance, compared to 23% with Limited assurance. None of the audits received 'No' assurance opinions during 2017/18. This represents improvement since 2016/17 when 65% of assurances were positive and 35% were negative, including 7% with No assurance.
- Conscious of the significant pressure on resources that the Council faced, internal auditors continued to support management by identifying potential process efficiencies and streamlining controls wherever possible. This resulted in a reduction of 6 reviews from the agreed audit plan of 68 audits. However, 18 new assignments were undertaken to substitute for some of the cancelled or deferred audits, resulting in a total of 80 assignments undertaken in 2017/18. The changes were reported to the Audit & Risk Management Committee during the year.
- Internal Audit has tracked progress made to implement 337 agreed actions with target dates up to 31 March 2018. Overall, 76% of high-risk actions and 71% of medium risk actions have been implemented, providing assurance that the majority of risks identified in previous years have been mitigated. This represents a slight deterioration in the implementation rate compared to 2016/17, when 81% of high risk and 85% of medium risk actions were fully implemented.
- As the Council continues to transform, internal audit work will continue during 2018/19 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 2018/19

The Internal Audit Strategy, Draft Plan and Internal Audit Charter 2018/19 was considered at our meeting on 6 March 2019. 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 2019/20. 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 2017/18 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. The next independent review will be required in 2019/20.

## **6. RELATIONSHIP WITH THE EXTERNAL AUDITORS**

Representatives of our 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.

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 STATEMENT OF ACCOUNTS & ANNUAL GOVERNANCE STATEMENT**

In June 2018 and July 2018, we considered the 2017/18 draft Statement of Accounts and the draft 2017/18 Annual Governance Statement (AGS). The purpose of the 5 July 2018 committee meeting was for members to scrutinise and review the draft 2017/18 Statement of Accounts, to feel comfortable at the next committee meeting (26 July 2018) to sign and agree those accounts.

The final Audited 2017/18 Statement of Accounts and 2017/18 AGS being heard at the 26 July 2018 committee meeting.

BDO presented two Audit Completion reports at the 26 July 2018 meeting and again at the 18 October 2018 meeting, highlighting the main issues that they had found with the 2017/18 Statement of Accounts.

BDO were still trying to complete the accounts by the 31 July 2018 statutory deadline, However, certain issues raised within the draft 2017/18 Statement of Accounts would need to be completed before these accounts could be signed off by BDO. The 2017/18 Statement of Accounts were signed off by BDO on the 26 October 2018.

A special Audit & Risk Management Committee meeting was held on the 6 December 2018 to discuss preparations for an agreed action plan so processes can be changed for next year's statement of account sign off. This would eliminate the same situation arising that had led to the late sign-off of the 2017/18 Statement of Accounts.

## **8. CONTRACT WAIVER MONITORING AND PROCUREMENT SPEND 2017/18.**

On 24 January 2019, we considered the contract waiver monitoring and procurement spend 2017/18.

For 2017/18, the department issued one waiver representing a total contract value of £462,000.

This was a significant decrease in the number and spend associated with waivers compared to the same period in the previous 3 financial years:

- 2014/15 - 40 waivers with a total spend of £6.5M.
- 2015/16 - 17 waivers with a total spend of £1.2M.
- 2016/17 – 4 Waivers with a total spend of £221,505

Previous financial period (2016/17) spend with local suppliers was £117m; this has moved to £82m for 2017/18. The main reason for this change is due to the implementation of the Temporary Accommodation Adam system. This consolidates all spend with Temporary Accommodation suppliers to one invoice.

The procurement team are working a lot more closely with colleagues across the Council to minimise waivers.

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 has driven down spend with better value for money.

## **9. REVIEW OF CONTRACT PROCEDURE RULES**

### **Audit & Risk Management Committee – 6 March 2019**

The report had been made but there had been no changes to the Contract Procedure Rules. It was decided not to declare the report.

There will be a review of the Constitution and the Contract Procedure Rules will change and the report can then be heard at a future Committee meeting.

## **10. COUNTER FRAUD WORK**

On the 20 June 2018, the Committee received the Counter Fraud Service Annual Report 2017/18 and the Counter Fraud Action Plan for 2018-19.

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 2018, the Team had achieved notable results:

- Identified overpayments and potential savings exceeding £2.385m including the identification of fraudulent or unlawful claims for Right to Buy discounts, claims for support provided by the No Recourse to Public Funds Team, Council Tax (support, discounts, and exemptions), and Housing Benefits;
- 1 prosecution for Council Tax fraud (see paragraph 3.3);
- 6 financial penalties levied for Council Tax Support offences;
- 1 employee resignation.

The Counter Fraud Strategy had minor amendments made to reflect changes in key contacts and organisational structure within the Council. The main change is that it has been expanded to become a Counter Fraud Bribery & Corruption Policy, and so the strategy now includes the Council's position on bribery.

## **11. TREASURY MANAGEMENT STRATEGY STATEMENT & INVESTMENT STRATEGY 2019/20**

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 2019/20 at the meeting on 24 January 2019. The report referenced the economic climate and considered the Council's borrowing requirements and the Council's investments.

The Committee were given the opportunity for cross party questioning of the treasury management strategy and to review the strategy ahead of presentation to Cabinet and Council.

Issues raised and discussed by members included:

- The Council's long term loans and variable interest rate loans.
- Council borrowing, cost of borrowing, authorised limit and affordability.

- The Council's European Investment Bank (EIB) loan and Brexit.
- Financial reporting transparency and clarity.

The strategy covers the following main sections:

- a) treasury indicators which limit the treasury risk and activities of the Council
- b) prospects for interest rates
- c) the borrowing strategy
- d) policy on borrowing in advance of need
- e) debt rescheduling
- f) the investment strategy
- g) creditworthiness policy
- h) the minimum revenue provision (MRP) policy
- i) the capital plans and the prudential indicators

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.

## **12. ILLEGAL ENCAMPMENTS IN ENFIELD**

At the meeting held on 26 July 2018, a report was heard presenting the illegal encampments position in Enfield.

The committee had asked for a plan in relation to illegal encampments but unfortunately the department were not in a position to provide that until there was an agreed policy decision. Therefore, the report presented the updated position in terms of:

- The considerable increase in the numbers of illegal encampments incursions that the Council has faced over the past 3 years.
- The cost related to the legal work the Council has done to remove them.
- The cost of bailiffs, security and unfortunately fly tip clearance from sites.

## **13. FINANCIAL RESILIENCE UPDATE**

An update was heard at the 18 October 2018 committee meeting. The purpose of the report was to discuss areas that put the Council's financial resilience at risk and things the Council are doing to address and meet those risks.

The areas of risk reported:

- The Council overspend, reported to Cabinet.
- Budget pressures and the delivery of savings.
- Deliverable income and savings proposals for the 2019/20 budget.
- Capital Programme – the council needs to think about the capital elements of its financial resilience and a new requirement by CIPFA for a Capital Strategy.

- Levels of the Council's financial resilience – need to ensure that financial reserves are at the correct level.

#### **14. BREXIT RISK FOR LOCAL AUTHORITIES**

At the meeting held on 24 January 2019, a report was heard summarising the Brexit risk for Local Authorities. The report updated members on what is happening with the Brexit risk, how the Council is managing it and where they are so far. The presentation slides included the following headings:

- Preparing for Brexit: Response so far.
- Main actions underway
- Next steps – list of risks and mitigations.

The Council was thinking about whether some of the risks are material, mitigated or un-mitigated.

The objective was to provide members with re-assurance that the Council is thinking Brexit and is responding to questions from London Councils about what the council is doing about Brexit. There may be funding available from MHCLG for Brexit, so the Council needs to be ready so as to apply for that funding.

A further update report was heard at the meeting held on 6 March 2019. This concerned the initial Brexit risk register which had been developed by the Council's Brexit panel.

The register aimed to capture the risks of a 'No Deal' Brexit from day 1 – day 100 and is a limited list for that reason. The department had larger risk registers which are more long-term but this was very much the immediate requisite.

#### **15. SERVICE DELIVERY RISK REGISTERS UPDATE**

At the meeting held on 20 June 2018, the Committee received an update on the Council's risk registers for the service enabling operating area that covers the Chief Executive's department and Resources department including strategic risks. The service enabling risk register included 9 risks, the majority of which were escalated from various operating risk registers. None of them were high risks with 6 in the amber band and 3 in the green band. There were representatives from relevant departments attending to provide further information and advice to member' enquiries/questions regarding the risk registers'.

A further report was also heard at the meeting on 26 July 2018 presenting risk registers for the service delivery operating areas of People and Place departments. 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 Delivery risk register consisted of 21 risks of which 5% were assessed as low (1 green), 85% as medium (18 amber) and 10% as high (2 red).

Representatives from relevant service areas were in attendance to address questions about their register.

At the meeting held on 24 January 2019, the risk registers for the service enabling operating areas of the Chief Executive and Resources departments were heard. As detailed in the report, the table showed 9 risks in total with 33% of those assessed as green (3 - low) and 67% assessed as amber (6 - medium) risks with no red risks.

As reported a Corporate Risk Register was being developed and would be presented at a subsequent Audit & Risk Management Committee in March or June 2019. Going forward, only the Corporate Risk Register would be presented at the Audit & Risk Management Committee meetings.

A further report was heard at the meeting on 6 March 2019, presenting a summary of risk registers for the Service Delivery operating areas covering People and Place departments. The Service Delivery risk register consisted of 18 risks of which 2 were assessed as low (green), 15 as medium (amber) and 1 as high (red). Representatives from the relevant service areas were in attendance for this meeting to answer member questions about their relevant registers.

## **16. ANTI-MONEY LAUNDERING POLICY & GUIDANCE**

On the 6 March 2019, the Committee considered an update on the refreshed Anti-Money Laundering Policy and Guidance.

The Council is required to have an anti-money laundering policy so as to enable it to comply with legislation.

This report is presented yearly and that had been done was essentially a tidy up of the report with minor changes to reflect personnel. There had not been any big changes in Money Laundering legislation and the report remains fit for purpose.

The Money Laundering Reporting Officer (MLRO) is Gemma Young (Head – Internal Audit & Risk management) and the deputy MLRO is Bob Cundick (Counter Fraud Manager).

## **17. WHISTLE BLOWING POLICY**

The Whistle Blowing Policy was heard at the 20 June 2018 committee meeting. This was a refresh of the Council's whistleblowing policy and the main differences were changes made to the contact names detailed in the policy. The table in the policy provides an up to date list of people to contact should anyone have any concerns about whistleblowing.

Members recommended that it may be appropriate to circulate and discuss policies beforehand so they can be reviewed before they are approved. Therefore, refreshed versions of the policy were heard at the 26 July 2018 & 6 March 2019 Committee meetings for noting and endorsement.

## **18. AUDIT AND RISK MANAGEMENT SERVICE PROGRESS REPORT**

There were regular Internal Audit progress reports heard throughout 2018/19. There had been some updates on the audits that were completed during 2018/19.

At 31 March 2018, Internal Audit had delivered 99% of the internal audit plan to draft report stage against the target of 95% that was set out in the Internal Audit Charter. In achieving this, internal auditors were independent of the areas audited and did not experience any significant limitations or restrictions on the scope of their activity.

## **19. INFORMATION GOVERNANCE & THE GENERAL DATA PROTECTION REGULATIONS**

An Information Governance yearly update for 2018/19 was heard at the 19 June 2019 meeting.

## **20. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

Since the last report there had been no applications for direct surveillance.

## **21. DWP IMPLEMENTATION OF UNIVERSAL CREDIT IN ENFIELD - UPDATE**

On the 24 January 2019, the committee heard an update report regarding the Department of Work & Pensions (DWP) implementation of Universal Credit (UC) and the risks associated with the rollout.

The report provided an update about the risks associated with the rollout of UC in Enfield.

Since the last report, the Enfield Job Centre Plus had completed its rollout for all postcodes served by that office and was live for new UC claims. It was anticipated that the whole of Enfield would be rolled out by 31 May 2018.

The second phase of the rollout would be Friday 1 February 2019 and would affect all households with 3 plus children.

The next phase is due to start in July 2019. Once the full rollout is complete for families with 3 plus children (after February 2019) 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 end and those people would have 3 months to claim UC. However, the Government have announced that this will now be delayed till 2020 and would be completed by 2023.

## **22. TRAINING AND BRIEFING SESSIONS**

The following sessions were held during 2018/19:

- New members induction/training event on Finance, Internal Audit and External Audit.
- A member training session with Finance officers providing the '2018 CIPFA publication on Audit Committees'.
- Treasury Management training session.

- A member training session with Finance Officers providing 'An Introduction to the Statement of Accounts'.

## **21.**

### **WORK PROGRAMME 2018/19**

We have agreed our work programme for the current year.

## **22. CONCLUSION**

Overall, we feel that we fulfilled our role and responsibilities successfully during 2018/19. 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  
2018/19**

Date of Meeting	Reports Considered
20 June 2018.	<ul style="list-style-type: none"> <li>• Audit &amp; Risk Management Committee Protocol Report on the Draft Statement of Accounts.</li> <li>• Draft 2017/18 Draft Annual Statement of Accounts.</li> <li>• Audit &amp; Risk Management Committee Annual Report 2017/18</li> <li>• Draft 2017/18 Annual Governance Statement.</li> <li>• Risk Registers Update – FRCS, Chief Executive, Strategic Risks.</li> <li>• Whistle Blowing Policy.</li> <li>• Internal Audit Annual Report 2017/18.</li> <li>• Counter Fraud Service Annual Report (Part 1) 2017/18.</li> <li>• BDO (External Audit) – Progress Report.</li> <li>• BDO (External Audit) – LBE Fee Letter 2018/19 &amp; Pension Fund Fee Letter 2018/19</li> </ul>
5 July 2018	<ul style="list-style-type: none"> <li>• Draft Statement of Accounts 2017/18</li> <li>• BDO Progress Report to 3 July 2018</li> </ul>
26 July 2018	<ul style="list-style-type: none"> <li>• BDO (External Audit) – Audit Completion Report on Statement of Accounts 2017/18 and Use of Resources.</li> <li>• BDO (External Audit) – Pension Fund Audit Completion Report 2017/18.</li> <li>• LBE Final Audited Council Statement of Accounts 2017/18 &amp; Annual Governance Statement 2017/18.</li> <li>• Universal Credit Implementation Update</li> <li>• Gypsy and Traveller Position in Enfield</li> <li>• Service Delivery Risk Registers Update – People and Place Departments</li> <li>• Internal Audit Progress Report 2018/19.</li> <li>• Whistleblowing Policy</li> <li>• Work Programme</li> </ul>
18 October 2018	<ul style="list-style-type: none"> <li>• BDO (External Audit) – Audit Completion Report on the Statement of Accounts 2017/18 (ISA260)</li> <li>• Financial Resilience Update</li> <li>• 2018/19 Internal Audit and Risk Management Service Progress Report.</li> <li>• Work Programme</li> </ul>
6 December 2018.	<ul style="list-style-type: none"> <li>• BDO (External Audit) – Audit Project Plan</li> <li>• Work Programme</li> </ul>
24 January 2019	<ul style="list-style-type: none"> <li>• BDO (External Audit) – Annual Audit Letter 2017/18</li> <li>• BDO (External Audit) – Council and Group Audit Plan 2018/19</li> <li>• BDO (External Audit) – Pension Fund Audit Plan 2018/19</li> <li>• 2019/20 Treasury Management Strategy &amp; Prudential</li> </ul>

	<p>Indicators.</p> <ul style="list-style-type: none"> <li>• Service Enabling Risk Registers – Resources and Chief Executive</li> <li>• DWP Implementation of Universal Credit in Enfield – Update.</li> <li>• Contract Waiver Monitoring and Procurement Spend 2017/18</li> <li>• 2018/19 Internal Audit and Risk Management Service Progress Report.</li> <li>• Brexit Risk for Local Authorities</li> <li>• Work Programme</li> </ul>
6 March 2019	<ul style="list-style-type: none"> <li>• Service Delivery Risk Registers Update – Place &amp; People</li> <li>• BDO (External Audit) – Grants and Returns Certification Report 2017/18</li> <li>• BDO (External Audit) – Progress Report 2018/19</li> <li>• Local Authorities Trading Companies Update</li> <li>• Internal Audit Plan 2019/20 and Internal Audit Charter</li> <li>• Internal Audit Progress Report 2018/19</li> <li>• Anti-Money Laundering Policy &amp; Guidance</li> <li>• Whistleblowing Policy</li> <li>• Brexit Risk for Local Authorities – Update</li> <li>• Work Programme</li> <li>• Meridian Water Risk Register Update – Part 2.</li> </ul>