

**Audit & Risk  
Management  
Committee Annual  
Report  
2019/20**

## **Chair's Introduction**

I am very pleased to present this Audit & Risk Management Committee Annual Report for 2019/20 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 2019/20. 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. Introduction

This report details the activity of the Audit and Risk Committee from 1 April 2019 to 31 March 2020. Submission of this report to Council on an annual basis, is in line with the Chartered Institute of Public Finance & Accounting (CIPFA) guidance on best practice for audit committees, in order to effectively support the organisation and for the Council to understand the work of the Committee.

## 2. Proposal

Council is asked to note the report.

## 3. Terms of reference and membership

The purpose of the Audit and Risk Committee is to provide assurance to the Council on the adequacy of the risk management framework and the internal control environment. The committee receives the work plans and reports from the Head of internal audit, helping to ensure that efficient and effective assurance arrangements are in place, and on which the opinion on the level of governance, risk management and internal control can be derived.

The full terms of reference for the period that this report refers to are attached at appendix B.

During 2019/20, the membership of the Committee was as follows:

### **Councillors:**

Mahym Bedekova (Chair)

Tim Leaver (Vice Chair)

Birsen Demirel

Claire Stewart

James Hockney

Charith Gunawardena

Dinah Barry

Yasemin Brett

Lee David-Sanders

### **Independent Member:**

Peter Nwosu

## 2. Audit & Risk Committee

Work undertaken during 2019/20 supported the following key areas, the specific items considered at each committee meeting are shown at appendix A:

- Adequacy of the internal control environment of the Council Internal Audit Plan and Audit Charter;
- Governance Processes - Annual Governance Statement;
- Financial management - Annual statement of accounts;
- Risk Management - Corporate Risk Registers.

### 3. Internal Audit Service

#### Internal Audit Annual Report

At its meeting in June 2019 the committee received the 2018/19 Internal Audit Annual Report summarising the work of the Internal Audit section for the year and included the Head of Internal Audit and Risk Management's opinion on the system of internal control.

The following points were noted by the committee:

- The opinion of the Head of Internal Audit and Risk Management is that the arrangements for governance, risk management and internal control provided *Reasonable* assurance that material risks, which could impact upon the achievement of the Council's services or objectives, were identified and managed effectively. However, there were some areas of inadequacy or non-compliance that potentially put the achievement of objectives at risk. Some improvements were required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and internal control.
- the team had covered 60 subject areas and the Head of Audit & Risk was satisfied that enough internal audit work had been undertaken to allow her to give an opinion of the adequacy and effectiveness of governance, risk management and internal control.
- The audit opinion for 2018/19 was that reasonable assurance could be placed on all these areas. Overall, a reasonable assurance is quite an achievement given the budgets and external factors.
- Progress with management actions were 73% of high-risk actions and 72% of medium risk actions had been implemented. A slight deterioration from last year. The actions that were not implemented were all in progress and none were marked as 'not implemented'.
- As at the end of March 2019, the team had delivered 100% of the internal audit plan against the target of 95%.
- Through the year, the Head Audit & Risk had attended the Assurance Board, EMT meetings and many departmental meetings to discuss the work of the team.
- Internal Audit activity was self-reviewed as conforming to the Public Sector Internal Audit Standards (PSIAS). There would be an independent review in 2019/20 which would be reported back to the committee once it had been carried out by CIPFA.

#### Draft Work Plan and Audit Charter

The Internal Audit Strategy, draft Plan and Internal Audit Charter 2019/20 were also considered at the meeting on 19 June 2019, and the 2020/21 draft plan and charter were discussed at the 5<sup>th</sup> March 2020 meeting.

The Audit Plan represents the key areas of interest for the Committee for each year, and covers the activities to ensure adequate controls, assurance and governance arrangements are in place within the Council.

The committee receives regular reports throughout the year to monitor the plan and specific areas of activity around the Council's control environment.

The Internal Audit Charter sets out the purpose, authority and responsibilities of Enfield Council's internal audit service.

The team uses Horizon Scanning which helps to look at any big changes, legislative changes on the horizon in the year or any changes for a particular service area. CAKE (cumulative auditor knowledge & experience) is also used by using officer experience and knowledge gained to provide answers to questions raised about the service over the previous year.

Some of the planned audits were as follows:

- Contract Management
- Risk Management
- Complaints Handling
- Commercialism
- Financial Resilience
- Early Years Payments
- Mental Health
- Meridian Water Project Governance
- SEN Transport
- Local Authorities Trading Companies Plan
- Schools'

#### **4. External Auditors**

The Council's external Auditors are currently BDO LLP. Representatives attend every meeting and contribute to governance processes within the Council and the development of committee members.

#### **5. Statement of Accounts and Annual Governance Statement 2018/19**

The draft Statement of Accounts were completed by the statutory deadline of 31<sup>st</sup> May 2019 and received by the Committee at the meeting in June 2019, along with the annual Governance statement.

The mandatory external audit of the Statement of Accounts due to be signed off by the 31<sup>st</sup> July was delayed and these were signed off in December 2019.

The delay in publishing the final statement of accounts was due in some part to delays within the processes for the closure of accounts. This led to a review of the process and an action plan put in place to ensure that the 2019/20 accounts were published on time.

## **6. Corporate Risk Registers**

The committee receive updates at every meeting on the Councils corporate risk register. This is a new development for the committee to provide an overview of the immediate risks to the council, with the operational risks sitting underneath. Previously the risk registers had been undertaken through directorate-based risk registers, the new way of working was welcomed by the committee.

The Committee looked in detail at specific areas from the risk register these included Cyber and technology security, Brexit risks, and the Meridian Water risk register. The committee were able to bolster their understanding of the areas and were reassured that mitigation measures were in place to reduce the risks.

## **7. Training for members**

The following training sessions were held during 2019/20:

- Introduction/induction for new committee members 19<sup>th</sup> June 2019.
- Statement of Accounts training session held on 1<sup>st</sup> July 2019.
- Treasury Management training session held on the 16<sup>th</sup> January 2020.

## **8. Work programme 2020/21**

At the Annual Council meeting on the 1<sup>st</sup> July 2020 the Audit & Risk Committee was deleted, and the terms of reference of the Audit & Risk Committee now fall under the General Purposes Committee and the work programme for 2020/21 will be set at the first meeting.

## **9. Conclusion**

As a result of the committees work throughout the year, members of the committee had fulfilled their terms of reference to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

**Summary of Audit & Risk Management Committee Work Programme  
2019/20**

Date of Meeting	Reports Considered
19 June 2019.	<ul style="list-style-type: none"> <li>• Audit &amp; Risk Management Committee Protocol Report on the Draft Statement of Accounts.</li> <li>• Unaudited Statement of Accounts 2018/19 &amp; Draft Annual Governance Statement.</li> <li>• BDO progress report 2018/19.</li> <li>• IGB Annual Performance Year End update 2018/19 &amp; GDPR Implementation.</li> <li>• Draft Annual Schools Internal Audit Letter 2018/19.</li> <li>• Corporate Risk Register.</li> <li>• Counter Fraud Service Annual Report 2018/19.</li> <li>• Internal Audit Annual Report 2018/19.</li> <li>• 2019/20 Internal Audit Plan &amp; Internal Audit Charter.</li> <li>• Audit &amp; Risk management Committee Annual Report 2018/19.</li> <li>• Work Programme.</li> </ul>
4 July 2019	<ul style="list-style-type: none"> <li>• Unaudited Statement of Accounts 2018/19</li> <li>• BDO – Unaudited Statement of Accounts 2018/19 – Verbal Update.</li> </ul>
3 October 2019	<ul style="list-style-type: none"> <li>• Final Internal Audit Report – Commissioning (Brokerage).</li> <li>• Statement of Accounts 2019/20:               <ul style="list-style-type: none"> <li>(A) Received from BDO (external auditors) the LBE Audit Completion Report 2018/19 – ISA260.</li> <li>(B) Received from BDO (external auditors) the Pension Fund Audit Completion Report 2018/19 – ISA260.</li> <li>(C) Statement of Accounts with ISA260 2018/19.</li> </ul> </li> <li>• LBE – Action Plan – Closedown process of the Statement of Accounts.</li> <li>• Universal Credit Implementation Update</li> <li>• Brexit Risk for Local Authorities.</li> <li>• Work Programme.</li> </ul>
17 October 2019	<ul style="list-style-type: none"> <li>• Statement of Accounts – Action Plan Update.</li> <li>• Financial Resilience Update including Managing the Savings.</li> <li>• BDO – LBE Fee Letter 2019/20 &amp; Pension Fund Fee Letter 2019/20.</li> <li>• Audit &amp; Risk Management Service Progress Report.</li> <li>• Corporate Risk Register.</li> <li>• Audit &amp; Risk Management Committee – Annual Report 2018/19.</li> <li>• Work Programme</li> </ul>
16 January 20	<ul style="list-style-type: none"> <li>• BDO – Audit Plan 2019/20 – Council.</li> <li>• BDO – Audit Plan 2019/20 – Pension Fund.</li> <li>• BDO – Annual Audit Letter 2018/19.</li> </ul>

	<ul style="list-style-type: none"> <li>• Statement of Accounts – Action Plan Update.</li> <li>• IGB Annual Performance Yearly Update 2019/20 &amp; GDPR Implementation.</li> <li>• Treasury Management Strategy – Prudential Indicators, Capital Expenditure &amp; Sensitivity of Interest Rates.</li> <li>• Illegal Encampments.</li> <li>• Corporate Risk Register.</li> <li>• Audit &amp; Risk Management Service Progress Report.</li> <li>• Brexit Risk register Update.</li> <li>• Work Programme.</li> </ul>
5 March 20	<ul style="list-style-type: none"> <li>• Statement of Accounts – Closedown Update.</li> <li>• BDO – External Audit Progress Report.</li> <li>• Contract Procedure Rules – Waivers Report and Update on Procurement spend.</li> <li>• Housing Development Approach to Identifying Risk and Management.</li> <li>• Commissioning (Brokerage) Follow Up Audit Report 2019/20.</li> <li>• Anti-Money Laundering Policy &amp; Guidance (Annual Review).</li> <li>• Whistle Blowing Policy (Annual Review).</li> <li>• Corporate Risk Register.</li> <li>• Draft Internal Audit Plan 20/21 &amp; Internal Audit Charter.</li> <li>• Audit &amp; Risk Management Service Progress Report.</li> <li>• Work Programme.</li> </ul>

<b>3. AUDIT AND RISK MANAGEMENT COMMITTEE</b>
<b>Appointed by:</b> Council
<b>Proportionality:</b> Applies
<p><b>Membership:</b></p> <p>9 members of the Council and up to 2 Independent non voting members (members who are not a councillor). Membership to be drawn from the non-executive element of the Council and by law remain politically balanced</p>
<b>The membership must be drawn from:</b> Non Executive
<b>Chair and Vice-Chair appointed by:</b> Council
<b>Public / Private meeting:</b> Public
<p><b>Quorum:</b></p> <p>3 members.</p>
<p><b>Frequency:</b></p> <p>The Committee will generally meet at least 5 times per year, with dates included in the Council calendar. Further meetings can be arranged on an ad hoc basis as appropriate.</p> <p>The Committee will report annually directly to full Council</p>
<p><b>Terms of Reference:</b></p> <p>The Council has established an Audit and Risk Management Committee whose 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.</p> <p>To consider:</p> <p><b>Internal Audit</b></p> <p>(i) The annual Internal Audit Report, including the Head of Internal Audit and Risk Management's Annual Opinion over the Council's assurance framework and internal control environment.</p> <p>(ii) The annual risk-based plan of internal audit work, from which the annual opinion on the level of governance, risk management and internal control can be derived. The plan will include the budget requirement and resource plan in terms of audit days needed to deliver the programme of</p>

work.

- (iii) The internal audit charter, defining the service's purpose, authority and responsibilities. The charter will cover arrangements for appropriate resourcing, define the role of internal audit in fraud-related work and set out arrangements for avoiding conflicts of interest.
- (iv) Regular updates from the Head of Internal Audit and Risk Management on audit and investigation activities. These will include progress on delivering the annual programme of work, emerging themes, risks and issues and management's responsiveness in implementing recommendations and responding to Internal Audit. In line with requirements of the Public Sector Internal Audit Standards, performance of the Internal Audit Service and the results of quality assurance and improvement activities will also be reported.
- (v) Specific internal audit reports agreed between the Chair and the Executive Director Resources or the Chief Executive.
- (vi) The Council's policies on 'Raising Concerns at Work' and the 'Anti fraud and corruption strategy'.
- (vii) The implementation of relevant legislation relating to fraud and corruption.

#### **External Audit**

- (i) The External Auditor's Annual Letter and relevant reports.
- (ii) Specific reports as agreed with the External Auditor.
- (iii) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (iv) The External Auditor's Report to those charged with governance from the audit of the accounts.

#### **Risk Management**

- (i) The strategy for effective development and operation of risk management and corporate governance in the Council to ensure compliance with best practice.
- (ii) Departmental and corporate risk registers.

#### **Procurement and Contracts**

- (i) An overview of the Council's Constitution in respect of contract procedure rules, financial regulations and relevant codes of conduct and protocols.
- (ii) Reports on waiving of contract procedure rules.

#### **Other issues**

- (i) The Council's annual Statement of Accounts.
- (ii) Any matters referred to it from the Monitoring Officer's meetings.
- (iii) Any issue referred to it by the Chief Executive or a Director, or any Council body for determination.
- (iv) An Annual Report, for submission to Council, summarising the work done by the Committee over the past year and outlining work to be done

in the year to come.

- (v) The Council's Annual Governance Statement and to formally agree it.
- (vi) Quarterly updates on the use of Regulation of Investigatory Powers Act 2000 (RIPA).
- (vii) Commissioned work from internal and external audit, the Executive Director Resources or other Council officers.