



Haverling

L O N D O N B O R O U G H

AUDIT COMMITTEE AGENDA

| | | |
|----------------|--------------------------------|--|
| 7.00 pm | Monday 30 July 2018 | Committee Room 1- Town Hall |
|----------------|--------------------------------|--|

Members 6: Quorum 3

COUNCILLORS:

**Conservative
Group
(3)**

**Residents'
Group
(1)**

**Upminster &
Cranham
Residents' Group
(1)**

**North Haverling
Residents Group
(1)**

Matt Sutton (Vice-Chair)
Viddy Persaud
Roger Ramsey

Gerry O'Sullivan

Clarence Barrett

Martin Goode
(Chairman)

**For information about the meeting please contact:
Victoria Freeman 01708 433862
victoria.freeman@OneSource.co.uk**

Protocol for members of the public wishing to report on meetings of the London Borough of Havering

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

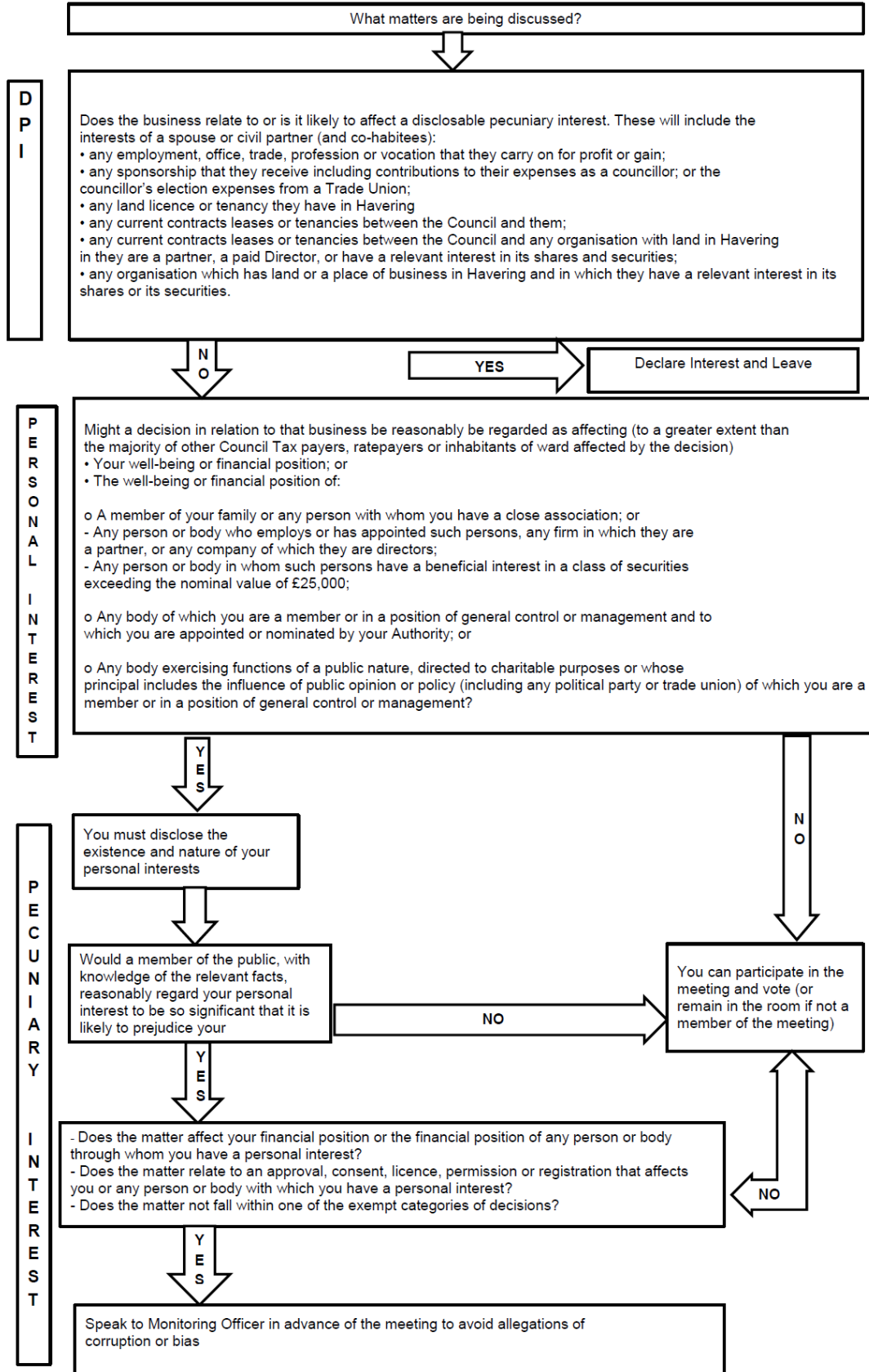
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) – received.

3 DISCLOSURE OF INTERESTS

Members are invited to declare any interest in any of the items on the agenda at this point of the meeting.

Members may still disclose any interest in any item at any time prior to the consideration of the matter.

4 MINUTES OF THE MEETING (Pages 1 - 8)

To approve as correct the minutes of the meeting held on 14 March 2018 and authorise the Chairman to sign them.

5 ANNUAL GOVERNANCE STATEMENT 2017/18 (Pages 9 - 32)

6 ANNUAL STATEMENT OF ACCOUNTS 2017/18 & TO THOSE CHARGED WITH GOVERNANCE (Pages 33 - 38)

7 ANNUAL TREASURY MANAGEMENT REPORT 2017/18 (Pages 39 - 58)

8 HEAD OF ASSURANCE ANNUAL REPORT 2017/18 (Pages 59 - 70)

9 HEAD OF ASSURANCE - QUARTER FOUR PROGRESS REPORT 2017/18 (Pages 71 - 86)

10 PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE FOR THE 2018/19 MUNICIPAL YEAR (Pages 87 - 92)

Andrew Beesley
Head of Democratic Services

Public Document Pack Agenda Item 4

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Committee Room 1-Town Hall - Town Hall
14 March 2018 (7.00 - 8.07 pm)**

Present:

COUNCILLORS:

Conservative Group Viddy Persaud (in the Chair) Frederick Thompson and John Mylod

East Havering Residents Group David Johnson

Apologies were received for the absence of Councillor Julie Wilkes.

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

7 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 28 November 2017 were agreed as a correct record and signed by the Chairman.

8 EXTERNAL AUDIT PLAN 2017/18: LONDON BOROUGH OF HAVERING AND HAVERING PENSION FUND

i) London Borough of Havering

The Council's external auditor's Ernst & Young presented their audit plan for 2017/18. The purpose of the report was to provide the Committee with a basis to review its proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd, auditing standards and other professional requirements. It was also to ensure that the external auditor's audit was aligned with the Committee's service expectations.

The plan summarised the external auditor's initial assessment of the key risks driving the development of an effective audit for the Council, and outlined their planned audit strategy in response to those risks.

The Council would likely to have entered into joint venture arrangements for the redevelopment and regeneration of the Rainham and Beam Park Housing Zone, Bridge Close and 12 housing estates within the borough. Funding these schemes would commit the Council to significant levels of borrowing. It was highlighted that given the significance and importance of these decisions to the Council's strategic, operational and financial priorities, the effectiveness of the governance and risk management arrangements related to these key decisions were crucial.

The timetable of communication and deliverables would be tight, with the Year End Audit scheduled for June/July and the Audit Committee procedures scheduled for

July with the Audit Results Report and Audit Opinions and completion certificates being presented to the Committee on the 25 July 2018.

The duty to prescribe fees was a statutory function delegated to Public Sector Audit Appointments Ltd (PSSA) by the Secretary of State for Communities and Local Government. The proposed final fee for 2016/17 included a proposed variation of £20,858 to the PSAA scale fee of £151,844, which arose from additional procedures undertaken which related to the valuation of property, plant and equipment; the consolidation of balances which related to Mercury Land Holdings; obtaining transaction listing to support amounts disclosed in the Council's financial statements; and the Council's Whole of Government Accounts submission.

Overall, the external auditors considered that the safeguards that had been adopted appropriately mitigated the principal threats identified.

ii) Havering Pension Fund

The Council's external auditor's Ernst & Young presented their audit plan for the Havering Pension Fund.

The plan summarised the external auditor's initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlined their planned audit strategy in response to those risks.

The Audit Plan covered the external auditor's opinion on whether the financial statements of the Havering Pension Fund gave a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018; and their opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of the London Borough of Havering Council. The indicative fee for the audit of the Pension Fund was £21,000.

RESOLVED:

That the Committee noted the contents of the report.

9 16/17 GRANTS CERTIFICATION REPORT

Officers submitted an overall summary of the 2016/17 audited grants claims compared to 2015/16.

There had been just one claim which required auditing in 2015/16 similar to 2014/15. This was in respect of the Council's housing benefit subsidy scheme. This had since been certified by Ernst & Young with no amendments. The Housing and Council Tax Benefits claim for 2016/17 was unqualified. Members noted that the audit fee and complexity of the audit work was reflected in the fee which for 2016/17 was £16,178 and that this was the second year of the audit with no amendment or qualification.

The value of the grant for 2016/17 had been £95.8m and the fee was £16,178. In addition to the grants which require certification, the following grant funding

bodies had published a requirement for grantees to engage an external auditor to report audit compliance or assurance for their 2016/17 funding.

- Teachers Pensions – assurance required against £40.3m total contributory salary which included £10.6m teachers pensions contributions. Grant Thorndon concluded that the End of Year Certificate had been prepared in accordance with the regulations underpinning the Teachers' Pension Scheme.
- DCLG Pooling of Housing Capital receipts – Certification of £14m Housing Capital receipts. Grant Thorndon concluded that the Final Pooling Claim for 2016/17 was accurate.

The audit fee for the additional grants outside the PSAA remit for 2016/17 was £4,000.

RESOLVED: That

- i) The contents of the report be noted.**
- ii) The outcomes of the 2016/17 grant claims process be considered.**
- iii) Any issues of concern with officers on specific grant claims be raised.**
- iv) The year-on-year grant claims performance be noted.**

10 ACCOUNTING POLICIES 2017/18

The Committee received a report which summarised the main contents of the accounting policies adopted by the Council and the required changes to ensure the accounts for 2017/18 were prepared in accordance with accounting regulations.

The revised accounting policies were shown in appendix A to the report and would be included in the Statement of Accounts. These policies had been prepared under the International Financial Reporting Standards (IFRS). The Committee were invited to note these policies and make comment. Reviewing of accounting policies by Members ensured that the Council and Audit Committee followed the CIPFA Better Governance Forum toolkit for local authority Audit Committees. Unless there were major changes to accounting rules and regulation, accounting policies did not change significantly between years because the accounts would not be comparable from one year to the next.

The draft audited Statement of Accounts for 2017/18 would be presented to the July 2018 Audit Committee for approval. The accounting policies statement would be included within the accounts and any changes made during the course of the closedown programme and/or audit would be highlighted and explained by officers.

RESOLVED:

That the Committee noted and commented on the accounting policies applicable to financial year 2017/18.

11 CLOSURE OF ACCOUNTS TIMETABLE 2017/18

The Committee received a report which advised Members of the progress to date in preparing for the closure of the 2017/18 Accounts.

The Council had successfully closed its accounts and prepared its Financial Statements for 2016/17 by the statutory deadline. The statutory deadline for making available the draft accounts had been brought forward and the time available to auditors to complete their assurance work was also being reduced by a third (see summary below).

| | FY 2016/17 | FY 2017/18 |
|-----------------------------------|---------------------|---------------------------|
| Draft Accounts prepared by | 30th June 2017 | 31 st May 2017 |
| Accounts Audited by | 30th September 2017 | 31st July 2017 |

As part of the quicker closedown preparation process, Havering had introduced a period 9 closedown in order to provide an opportunity for a trial run on an accelerated timetable. The reconciliation of the balance sheet debtors and creditors required significant work and further work was required to ensure that it met the requisite standard.

RESOLVED:

That the Committee noted the report.

12 ASSURANCE PROGRESS REPORT QUARTER 3

The Committee received a report which advised on the work undertaken by the Assurance Service during quarter three of 2017/18.

The target outturn for completion of the audit plan was 90% at the end of the financial year. As at 31st January 2018, 93% of the tasks had been delivered to draft or final report stage, or were in progress. This confirmed that the audit plan was on track to be delivered by the end of the financial year.

Members noted the details of the final reports issued in quarter three, as outlined in the report. It was noted that no limited assurance reports were issued during the quarter. Six reports had been issued in quarter three, all of which received medium assurance. There was one recommendation brought forward from previous quarters which received a recommendation of high risk. Progress on this recommendation had been made, but it remained partially implemented.

The total net savings for the Tenancy Fraud Project team, minus project costs, from October 2015 to December 2017 was £5.69m. Outcomes for the quarter included five properties recovered with a nominal value of £90,000; and six right to buy applications withdrawn with a notional value of £521,939.

Officers advised the Committee that the oneSource Assurance Service had been shortlisted for the Innovation In Internal Audit Public Finance award. This related to the team's work on the schools' audit programme.

RESOLVED:

- i) That the Committee noted the report.
- ii) That the Committee raised any concerns and asked specific questions of officers where required.

13 GOVERNANCE UPDATE

The Committee received a report which advised on the progress against significant governance issues as reported in the 2016/17 Annual Governance Statement (AGS).

The Council had an officer Governance and Assurance Board which met at least quarterly to oversee the process to produce the AGS annually and as a standing meeting item monitored and updated the action plan to address significant governance issues raised. The 2016/17 AGS was reported to the Committee in June 2017 and accompanied the Annual Statement of Accounts presented for sign-off in September 2017. The Committee requested that training on the General Data Protection Regulations be extended to members.

RESOLVED:

- i) That the Committee noted the report.
- ii) That the Committee raised any concerns and asked specific questions of officers where required.

14 INTERNAL AUDIT STRATEGY AND CHARTER AND 2018-19 PLAN

Officers advised the Committee that the Accounts and Audit Regulations required the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) or guidance.

Internal audit was a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provided a simple framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation:

- First line – operational management controls
- Second line – monitoring controls, e.g. the system's owner
- Third line – independent assurance (Internal audit forms the Council's third line of defence)

An independent internal audit function would, through its risk-based approach to work, provide assurance to each Council's Audit Committee and senior management on the riskier and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

The work of internal audit was critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and formed the basis of the annual opinion provided by the Head of Assurance which contributed to the Annual Governance Statement. It could also perform a

consultancy role to assist in identifying improvements to the organisation's practices.

Officers of the Assurance Service had been involved in work with the Section 151 Officer and with senior management to update the Corporate Risk Register. The Mazars horizon scanning document had also been reviewed to assist in identifying common risk and audit themes and used to inform these discussions. The draft plan presented was a longlist of the high and medium risk audit areas, covering the range of Council activities which, in conjunction with management had been assessed as requiring assurance at this point in time.

RESOLVED:

That the Committee approved the Audit Plan, Charter and Strategy.

15 TREASURY MANAGEMENT QUARTER 3 UPDATE 2017/18

The Committee received an update on the performance of the Treasury Management Strategy during quarter 3.

Officers advised that the increase in the Bank Rate in November by 0.25% to 0.50%, was a significant economic event, making it the first increase by the Bank of England's MFC since July 2017. Economists believed that the next rate rise could occur in May 2018.

Based on the actuals for Quarter 1 -3 and a projected position for Quarter 4, it was unlikely that the Authority would achieve the investment income budget set out for 2017-18.

During the year, the Authority had operated within the treasury limits and Prudential Indicators set out in the authority Treasury Management Strategy Statement and in compliance with the authority's Treasury Management Practices. The Committee received an update on indicators and limits as contained in the Appendix to the report.

RESOLVED:

That the Committee noted the report.

16 TREASURY MANAGEMENT STRATEGY STATEMENT, PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION STATEMENT 2018/19

The Committee received an update on the performance of the Treasury Management Strategy during quarter 3. Members received a report which fulfilled the Authority's legal obligation under the Local Government Act 2003 and covered:

- The Borrowing and Investment Strategies
- Treasury Management Indicators
- Prudential Indicators
- A minimum Revenue Provision policy

Cabinet approved the following at their meeting on the 7 February 2018:

- The Treasury Management Strategy Statement (TMSS) 2018/19
- The Treasury Management and Prudential Indicators
- The Annual Minimum Revenue Provision (MRP) Statement for 2018/19 and
- Recommended the TMSS and MRP statements 2018/19 to Council for approval.

RESOLVED:

That the Committee noted the report.

17 AUDIT COMMITTEE - ANNUAL REPORT 2017/18

Members received the annual report of the Audit Committee. Due to the meeting on the 28 February 2018 being postponed and in order to meet statutory deadlines, the final version of the report was agreed by the Chairman prior to the meeting, so it could be referred to Council.

RESOLVED:

That the Committee noted the Annual Report 2017/18.

Chairman

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AUDIT COMMITTEE

| | |
|---|--|
| Subject Heading: | Annual Governance Statement 2017/18 |
| SLT Lead: | Sean Harriss Interim Chief Executive, oneSource |
| Report Author and contact details: | Jeremy Welburn Head of Assurance Tel: 01708 432610 / 07976539248 E-mail: Jeremy.welburn@onesource.co.uk |
| Policy context: | This report presents the 2017/8 Annual Governance Statement to note and for comment. |
| Financial summary: | N/A |

The subject matter of this report deals with the following Council Objectives

| | |
|-------------------------------|-----|
| Communities making Havering | [X] |
| Places making Havering | [X] |
| Opportunities making Havering | [X] |
| Connections making Havering | [X] |

SUMMARY

This report provides the background for the requirement to produce an Annual Governance Statement (AGS).

The report will update the Committee on progress against the significant governance issues monitored during 2017/18, the status of these issues and the new issues arising from the 2017/18 AGS for monitoring in 2018/19.

RECOMMENDATIONS

1. To note the contents of and comment on the 2017/18 Annual Governance Statement, attached as Appendix 1.

REPORT DETAIL

1. The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control.
2. The Annual Governance Statement is prepared in accordance with the requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016).
3. The Council must review its systems of internal control and governance annually and assure itself that its internal control environment is effective. The assurance framework sets out the sources of assurance that are relied upon on to enable preparation of the Annual Governance Statement. These include the work of the internal auditors and of directors and managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also the comments made by the external auditors and other review agencies and inspectorates. The Head of Audit opinion set out in the internal audit annual report forms a key element of the review, as does the Council's work on risk and performance management.
4. The Annual Governance Statement covers all significant corporate systems, process and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure that:
 - the Council's policies are implemented in practice;
 - high quality services are delivered efficiently and effectively;
 - the Council's values and ethical standards are met;
 - laws and regulations are complied with;
 - required processes are adhered to;
 - financial statements and other published performance information are accurate and reliable; and
 - human, financial, environmental and other resources are managed efficiently and effectively.
5. The AGS is required to disclose any issues that the Council consider to be significant governance issues. The five significant governance issues identified in the 2016/17 Annual Governance Statement were:

- Scheme of Delegation (LB Havering);
- Commissioning and Contracts (including compliance with procurement rules);
- Mercury Land Holdings (MLH);
- Projects and Programme Governance; and
- Information Technology and Information Governance

These significant issues have been closed, since the Governance and Assurance Board concluded that sufficient action to address the issues has been taken during the year.

Four new issues have been raised during 2017/18 and will be addressed during 2018/19. These four issues are:

- Corporate Project Management Office (PMO) and Economic Development Programme;
- Financial Regulations;
- Delivery of a Balanced Budget; and
- Information Governance - GDPR

6. Approval of the Annual Governance Statement should be at a corporate level and should be confirmed by the most senior officer (Chief Executive) and member (Leader) signing the statement on behalf of the Council. The Audit Committee is required as part of its role to consider any corporate governance related issues that need to be referred to the Governance Committee for review.
7. The Annual Governance Statement is subject to audit alongside the Statement of Accounts. The auditors do not give an opinion on the statement as such, but consider whether it reflects their understanding of the Council's governance arrangements obtained through all aspects of their work. They also form a view as to whether the statement adequately discloses any significant governance issues.
8. The AGS for 2017/18 is attached as appendix 1. This is the version that has been signed by the Chief Executive and Leader and included in the Statement of Accounts. It is currently with the external auditors for review. If any amendments are made to the AGS as a result of the external review an updated version will be provided prior to Audit Committee.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications arising directly from commenting on/agreeing the Annual Governance Statement. However implementation of the planned actions set out in the AGS may have financial implications. The expectation is that these will be contained within existing resources. Where this is not the case issues will be raised through the appropriate channels.

Failure to produce a robust AGS could result in adverse comments from the Council's External Auditors.

Legal implications and risks:

The Authority is statutorily obliged to conduct a review into the effectiveness of its systems of internal control prepared in accordance with proper practices and to prepare an Annual Governance Statement, which must be approved by the relevant committee (Regulation 6 Accounts and Audit Regulations 2015). Approval of the Annual Governance Statement (subject to any comments on the draft) complies with that requirement.

Human Resources implications and risks:

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

N/A

Appendix 1

ANNUAL GOVERNANCE STATEMENT

This statement, from the Leader and Chief Executive, provides reasonable assurance to all stakeholders that within the London Borough of Havering, processes and systems have been established which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to everyone who is served by the Borough.

The Annual Governance Statement is co-ordinated within the Assurance Service and the production and progress of the statement is monitored by the officer Governance and Assurance Board.

Scope of responsibility

The London Borough of Havering is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The London Borough of Havering also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the London Borough of Havering is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The London Borough of Havering is committed to operating in a manner which is consistent with the seven principles of the CIPFA/SOLACE* *Delivering Good Governance in Local Government Framework 2016 Edition*. This statement explains how the London Borough of Havering has complied with these principles and also meets the requirements of regulations 6(1) (a) and (b) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Havering's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

*Chartered Institute of Public Finance Accountancy

The governance framework (detailed in Appendix 1 to this statement) has been in place at the London Borough of Havering for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

Review of governance effectiveness

Outlined below are the arrangements in place to review the effectiveness of the governance framework and the sources of information and assurance on which this statement is based. A further, more detailed, description of our governance framework is included in Appendix 1 to this statement.

Constitution

The Monitoring Officer keeps the Constitution under continual review, having delegated powers to make amendments arising from organisational changes and legal requirements and to correct errors. Other amendments are recommended by the Governance Committee for decision by Full Council.

Governance and Assurance Board

The London Borough of Havering has an established officer Governance and Assurance Board, that meets at least quarterly, with standing membership including:

- Chief Finance Officer / Section 151 officer
- Deputy Director Legal and Governance
- Head of Assurance
- Director of Finance (oneSource)
- Director of Human Resources and Organisational Development (oneSource)
- Director of Technology and Innovation (oneSource)

The terms of reference for the Board provide the option to extend membership to meet demands. This Board is charged with reviewing the governance arrangements, overseeing the production of the Annual Governance Statement, monitoring progress against significant issues raised as part of this and reviewing arrangements for Risk Management. The group reviews the AGS significant issues as a standing item at each meeting and provides an update to Audit Committee on the progress of these issues at least once during the year.

Senior Leadership Team (SLT)

The Senior Leadership Team (SLT) consists of the Chief Executive and four Directors with responsibility for Neighbourhoods, Children's Services, Adult Services & Health and Public Health (role shared with the Care Commissioning Group (CCG and Hospital Trust). The Chief Operating Officer incorporating the role of Chief Finance Officer (s151 officer) was shared between two interim Directors during 2017/18.

The Managing Director of oneSource has recently been appointed on a secondment basis as the Chief Operating Officer for Havering (including the Chief Finance Officer (s151 officer) role).

An interim Chief Executive Director of oneSource has been appointed for an initial six month period. The Chief Executive of oneSource is responsible for the delivery of the shared services between the Council with the London Borough of Newham and London Borough of Bexley. oneSource has seven portfolio Directors who are also members of the Corporate Leadership Team for the Council and have a dual role across Havering, Newham and in some cases Bexley.

Governance Committee

The Council's Governance Committee, attended by the Leader of the Council and other Group Leaders and is charged with overseeing the organisation's governance arrangements including the Code of Conduct for Members.

Audit Committee

The Audit Committee is responsible for monitoring the adequacy and effectiveness of internal audit, the risk management environment, fraud and corruption arrangements and the provision of the external audit service. They receive regular reports in line with this remit and agree the annual audit plan, draft Annual Governance Statement and revisions to related policies. This monitoring is integral in the process to compile a robust Annual Governance Statement, which is approved by the Audit Committee. Significant governance issues are escalated to the Governance Committee by the Chair of the Audit Committee as required. Approval of the annual Statement of Accounts also falls under the remit of the Audit Committee.

Adjudication and Review Committee

The Adjudication and Review Committee is made up of ten Councillors. The committee provides Members for panels to consider complaints against councillors and also to make up 'Member review' panels (which is the default panel for considering complaints made by members of the public at Stage Three of the Corporate Complaints procedure through a paper exercise). Should a Member Review Panel consider that a complaint warranted a formal hearing it would adjourn and reconvene to hear the matter with the parties present. The Adjudication and Review Committee is also responsible for overseeing and confirming the appointment of 'Independent Persons' and the Independent School Appeal panels which are convened to review permanent pupil exclusions.

Overview and Scrutiny

The Overview and Scrutiny function reviews and challenges decisions made by the Executive and other bodies, e.g. National Health Service organisations and the Police to assist in the development of policy.

An overarching Board undertakes all call-in functions and acts as a vehicle by which the effectiveness of scrutiny is monitored and where work undertaken by themed sub-committees is co-ordinated to avoid duplication and to ensure that areas of priority are being pursued. .

The Overview and Scrutiny Board and its sub-committees have the opportunity to consider performance information within their area of responsibility using monthly Members packs and other relevant performance data.

Each year Overview and Scrutiny is tasked with identifying areas of the Council's work that it wishes to consider in detail, for which purpose task groups comprised of members of the Board and its sub-committees are set up to research the issue with the assistance of officers and sometimes external bodies and report their findings and recommendations.

The governance of Overview & Scrutiny is currently under review, with a decision on arrangements likely in late 2018.

Local Pension Board

The role of the Local Pension Board is to assist Havering as the Administering Authority to ensure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS.

The Board has been established since 2015 and holds quarterly meetings and an annual general meeting. Matters that are discussed at the meeting are shared with the Pensions Committee through the sharing of minutes and submission of an annual report.

The Pension Fund's Governance Compliance statement also incorporates the Local Pension Board which reports the extent of compliance against a set of principles.

Internal Audit (Assurance Services)

Internal Audit is an independent assurance function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risk. In doing so Internal Audit supports the Chief Finance Officer in their statutory role as Section 151 Officer. Annually the Head of Internal Audit Opinion and annual report provides assurance to officers and Members regarding the system of internal control; this assurance has also been considered in the production of this statement.

From the work undertaken during the 2017/18 year, reasonable assurance can be provided that there is generally a sound system of internal control, designed to meet the organisations objectives and that controls are generally applied consistently. The level of assurance, therefore, remains at a level consistent with the assurance provided in 2016/17.

Risk Management

The strategic risks to the achievement of the Authority's objectives are captured within a Corporate Risk Register which is overseen by the Governance and Assurance Board and reported to Audit Committee during 2017/18. The Corporate Risk Register was last reviewed and approved by SLT in February 2018.

The risk management strategy and supporting policies are currently being reviewed to ensure they are sufficient to support the objectives of the Council. External, independent support has been utilised to review these processes

External Inspectors

The Council is subject to review and appraisal by a number of external bodies; results of such reviews are considered within the performance management framework. The work of the Council's External Auditor, currently Ernst and Young (E&Y) is reported to the Audit Committee. The Committee received a copy of the Audit Letter issued by Ernst & Young following completion of the 2016/17 audit. They issued unqualified opinions on the Council's and Pension Fund's financial statements along with the unqualified assessment of the Council's value for money. The Audit Results Report was issued on 30 September 2017 and the certificate of completion had been issued on 27 October 2017.

Information Commissioner's Office

The Council must comply with the Data Protection Act 1998. The Information Commissioner's Office (ICO) found one case of a data breach against the Council during 2017/18. No fines were imposed because of the controls implemented once issues were identified and remedial action taken.

Progress of significant governance issues raised in the 2016/17 AGS

The issues identified in the 2016/17 Annual Governance Statement have been monitored by management and the Governance and Assurance Board throughout the year with review periodically to challenge actions and progress by both the Senior Leadership Team and the Audit Committee.

1. Scheme of Delegation: A review of the Scheme of Delegation was identified following the amendments to include oneSource.

Progress during 2017/18:

The LB Havering delegation structure, process and arrangements have been in place for some time and in light of the changes brought about by oneSource delegations it was considered that they be reviewed. Various changes were made updating the delegations and reallocating the functions between directorates following management and departmental restructures. These were finalised in consultation with Directors and published on the Council's website in August 2017 where they are accessible by officers. The planning decision making function has also been reviewed and amended including the officer delegations and those changes were approved by Full Council in March 2018

Recent changes to management and departments have resulted in further changes being required, and any subsequent in year changes will also need to be reflected in the Constitution. This continual process of change requiring update is 'business as usual' and is delegated to the Monitoring Officer. The financial delegations, which includes the division of responsibility between S151 and oneSource, and the finance regulations are under review and some changes may be required to simplify or reallocate responsibilities or powers and this will be undertaken in 2018/19. The Governance & Assurance Board consider that sufficient action has taken place, in year, to close this significant issue.

2. Commissioning and Contracts: During the 2016/17 financial year there were instances identified where officers hadn't complied with the Contract Standing Orders.

Progress during 2017/18:

Officers have taken a number of actions to ensure that officers are compliant with the contract standing orders and as a result have deemed to close this issue. In 2018/19 it is intended that the policy will be reviewed as part of a wider review of the Council's financial regulations and scheme of delegation.

During the financial year the Council's main financial management system, Oracle, was enhanced to include the procurement thresholds of £25k, £164k (previous EU threshold) and £181k (new EU threshold) to ensure that where supplier expenditure exceeded these levels that the Council's internal processes and where necessary EU processes had been followed. The Procurement team are monitoring compliance and reporting non compliance to the Senior Leadership Team on a monthly basis with the internal audit service supporting Procurement in a programme of continuous review. The Joint Commissioning Unit to service Adult Social Services, Children's Services, Housing, Public Health and Learning & Achievement was developed and bought together to provide efficiencies to the Council and ensure a more robust commissioning to procurement relationship and subsequently contract management and compliance. The Council's internal audit function completed a review in this area as part of the 2017/18 work which gave a substantial level of assurance to their financial record/procurement.

To ensure wider compliance the Checkpoint process was strengthened to ensure compliance and where necessary the Head of Procurement has reported directly to the Senior Leadership Team and wider management key issues. The Governance & Assurance Board consider that sufficient action has taken place, in year, to close this significant issue.

3. Mercury Land Holdings (MLH): It has been identified that a review of the governance arrangements in relation to MLH is required as the business moves forward. Mercury Land Holdings is a newly established company and as that company develops it is advisable to review and update the governance arrangements to ensure they are efficient and robust.

Progress during 2017/18:

Reports about Mercury Land Holdings were considered by Cabinet in November 2017 and January 2018. These further provided for increased MLH Board membership to enable the company to give effect to its business plan, and put in place measures to ensure separation of functions and responsibilities. These recommendations have been given effect with new appointments being made whose roles are separate from the council. The Council has put in place an internal Board to monitor its company and joint venture interests. The Governance & Assurance Board consider that sufficient action has taken place, in year, to close this significant issue.

4. Projects and Programme Management: The Council has a significant number of large scale and complex projects and programmes to deliver over the medium term and needs to ensure it can deliver these with appropriate governance arrangements. It is important that the Council reviews its arrangements and capacity to manage the high number of projects and programmes to meet the agreed and desired outcomes.

Progress during 2017/18:

The Council reviewed its arrangements for managing projects and programmes during 2017 and established a Corporate Project Management Office (PMO). The PMO was initially established as a pilot in June 2017 to run until September 2018. The council intends to reorganise the Chief Operating Officer's department over the summer of 2018 in order to mainstream the role of the PMO into the core funding of the department.

The Council has also implemented programme management software which provides visibility of key projects and programmes from across the Council. Dashboards have been developed that allow high impact programmes to be highlighted for review at LBH Directorate level and then at Senior Management level at the Transformation Management Board (TMB). The dashboards highlight the RAG status for a number of aspects of each project e.g. timescales, resources, milestone delivery.

Resource and governance responsibility for projects and programmes rests with the relevant Senior Responsible Officers. SLT received SRO training in 2017 and Directors understand their responsibilities.

Capacity to deliver the wide range of activity determined by the MTFs and strategic priorities is under constant review by SLT and new business cases for launch of projects and programmes have to include costed resource plans.

The new Regeneration Joint Venture schemes at Bridge Close, Rainham and the Twelve Estates have only recently been fully established on the programme management software. These schemes will be audited during 2018/19 to ensure best practice governance is in place. The Governance & Assurance Board consider that sufficient action has taken place, in year, to close this significant issue.

5. Information Technology and Information Governance: The Council urgently replaced a large element of its core information and technology infrastructure in 2016. ICT undertook a review of the infrastructure in 2017 and submitted a bid to Cabinet for funding to carry out some urgent projects to improve infrastructure. The Cabinet approved funding for these urgent requirements. In addition, the new GDPR changes will come into effect in May 2018 and the organisation will need to respond, requiring a detailed focus on the information security and information governance.

Progress made in 2017/2018:

The Council completed the urgent infrastructure projects and now have a Technology Roadmap setting out the journey to modernise ICT infrastructure and Services.

Additional resources were focused to improve support for the Council's two critical systems; CRM (Customer Relationship Management) and Data Warehouse.

The preparations for GDPR started early in 2017 and the Council has completed all necessary mandatory actions in order to be compliant with the new GDPR. The Council's

Head of Information Governance and Security led on the GDPR project. The first task was to review processes for any changes required under GDPR. This task highlighted a number of policies that required amendments or a complete change. This has been completed in line with the new GDPR requirements. The other part was the training and awareness of the changes in law for all staff. The Council took different approach to training and in addition to online training, face-to-face workshops were arranged for nearly all Council staff. The ICT service also attended and provided regular updates at SLT and other management meetings throughout the year. The workshops were very successful are key in ensuring that the users understand the need to protect the data.

Further work required for the GDPR in relation to review of the information flow will continue post GDPR implementation and go live on 25 May. The Governance & Assurance Board consider that sufficient action has taken place, in year, to close this significant issue.

Significant governance issues 2017/18 (to be addressed in 2018/19)

| |
|--|
| <p>1. Corporate Project Management Office (PMO) and Economic Development Programme: A 'one Council' approach is not yet in place and the governance framework around the Corporate PMO has been identified as needing strengthening.</p> |
| <p>Actions taken during 2017/18</p> <ul style="list-style-type: none"> • Corporate Project Management Office (PMO) has been in place since June 2017. • Implementation of Council's programme management software (Execview) which provides visibility of key projects and programmes that are reviewed at LBH Directorate level and then at Senior Management level at the Transformation Management Board (TMB). • Issues around red ragged projects and programmes are discussed at the TMB. • SLT has determined and regularly reviews the projects and programmes they have uplifted into the programme dashboard so that leadership focus is directed at high impact programmes. • Resource and governance responsibility rests with the relevant SROs. SLT received SRO training in 2017 and understands their responsibilities. • Capacity to deliver the wide range of activity determined by the MTFP and strategic priorities is under constant review by SLT and new business cases for launch of projects and programmes has to include costed resource plans. • Internal Audit review undertaken in 2017/18. |
| <p>Planned actions for 2018/19</p> <ul style="list-style-type: none"> • Planned audit work built into 2018/19 Internal Audit plan |
| <p>Lead Officer</p> <p>Jane West, Chief Operating Officer</p> |

2. Financial Regulations: During the course of the year, inconsistencies between the financial regulations, scheme of delegation and wider constitution were identified. This particularly related to the write off of bad debts and who had approval to authorise these.

Actions taken during 2017/18

- The constitution was updated by the Legal Services team which clarified the roles and responsibilities at a portfolio level.
- The authorisation of the write off of debts and approval of income and expenditure was clarified based on the current financial regulations.
- It was confirmed that the financial regulations and scheme of delegation needed to be updated in 2018/19 to ensure they were more streamlined and easier for Officers to navigate.

Planned actions for 2018/19

- The financial regulations and associated scheme of delegation will be reviewed and amendments identified and pursued through full Council.

Lead Officer

Paul Thorogood, Director of Finance (oneSource)

3. Delivery of a balanced budget: The Council was able to set a balance budget for the 2018/19 financial year. As set out in the report to Council there continues to be continued pressures over the medium term to the Council due to increased service demand and pressures while available resources are reducing. The report specifically highlights pressures for both Children Services and Homelessness services, which amount to £3.304m. The continued financial landscape for the Council isn't set to change over the medium term and will continue to present challenges to the Council in setting a balance budgets for 2019/20 and beyond.

Actions taken during 2017/18

- At the end of 2017/18 the Council was able to achieve a balance budget for 2018/19.
- Service mitigation plans were put in place where services were not able to operate within their delegated budgets and for both Children Services and Homelessness these are in place and being monitored by the Council's senior leadership team.
- The Medium Term Financial Strategy, sets out the Council's financial forecast for the coming five years, aligned to the Corporate Plan, and will continue to monitor the anticipated levels of expenditure and income to the Council and the requirement for officers to identify efficiency opportunities.

Planned actions for 2018/19

- Officers will continue to report to the Senior Leadership Team on a monthly basis from period 2 – 12 the anticipated outturn for the financial year, which will identified medium term financial pressures and opportunities. This will subsequently be reported to Cabinet Members.
- The Medium Term Financial Strategy will continue to be updated and Cabinet will receive in September 2018 its mid year review.
- The Council is embarking on a wider transformation and modernisation programme which will support the delivery of efficiencies whilst improving outcomes to residents and delivering the Council's corporate plan.
- Officers will work with the new administration to ensure that the financial challenge is clearly understood and they work collaboratively to support officers in identifying new opportunities to reduce the financial pressures facing the Council.

Lead Officer

Jane West, Chief Operating Officer

| |
|---|
| 4. Information Governance - GDPR: |
| Actions taken during 2017/18 |
| <ul style="list-style-type: none"> • Continuous implementation of GDPR and review of information flow. |
| Planned actions for 2018/19 |
| <ul style="list-style-type: none"> • Review all data processes to agree information flow. |
| Lead Officer |
| Priya Javeri, Director of Technology & Innovation (oneSource) |

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Conclusion

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year. We did not find any matters that needed addressing during our review other than those that were previously identified and on which action has been taken to address.

Signed:

Leader of the Council

Chief Executive

Appendix 1

The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described in more detail below.

Our Vision for the Borough 2017/18 is focused around four cross-cutting priorities; Communities, Places, Opportunities and Connections

- **Communities** - We want to help our residents to make positive lifestyle choices and ensure a good start for every child to reach their full potential. We will support families and communities look after themselves and each other, with a particular emphasis on our most vulnerable residents.
- **Places** - We will work to achieve a clean, safe environment for all. This will be secured through working with residents to improve our award-winning parks and continuing to invest in our housing stock, ensuring decent, safe and high standard properties. Our residents will have access to vibrant culture and leisure facilities, as well as thriving town centres.
- **Opportunities** - We will provide first-class business opportunities by supporting the commercial development of companies within the borough. We will ensure sustainable economic growth that generates local wealth and opportunities, as well as securing investment in high-quality skills and careers.
- **Connections** - We want to capitalise on our location with fast and accessible transport links both to central London and within the borough. Likewise, we will continue to make Havering a digitally-enabled borough that is connected to residents and businesses. Enhancing our connections will strengthen the borough's offer as a Greater London hub for business.

Codes of Conduct

The Council has Employee and Member Codes of Conduct supported by the requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade or who hold specific decision making and procurement positions. All officers, regardless of their employment status, are required to adhere to the Code of Conduct and to decline gifts and hospitality to ensure that they are not inappropriately influenced. Members are required to register within their declaration of interest any gifts and hospitality accepted. The Codes and related policies and procedures are communicated via induction sessions and are available via the intranet. The Employee Code of Conduct was updated and re-launched in 2014/15 to ensure that there is awareness of all requirements and of responsibilities. The Member Code of Conduct was reviewed by the Governance Committee in August 2017 and amended by Full Council in 2017. The relevant SLT member is tasked with ensuring that appropriate arrangements are in place for declarations and the systems are reviewed periodically by internal audit. This is now available online via the new portal <https://newham-dash.achieveservice.com/en>.

Corporate Performance Framework

A new Vision, Corporate Plan and set of Corporate Performance Indicators was agreed for 2017/18. The Council's new Vision is broken down into four cross-cutting strategic priorities:

- Communities making Havering
- Places making Havering
- Opportunities making Havering
- Connections making Havering

Underpinning each priority is a set of strategic outcomes and delivery statements that explain how each outcome will be achieved. In readiness for 2018/19, the Council is now making preparations to move towards a new approach to service planning. The Council is moving away from the traditional approach to having 12 individual service plans sitting beneath the Corporate Plan, in favour of developing four cross-cutting plans covering each of the thematic areas of the Corporate Plan. This new approach reflects the increasingly co-dependent nature of public services, which means that many of the Council's strategic priorities and outcomes cannot be achieved by any individual service acting alone.

The new Corporate Performance Indicators offer a more outcomes focused set of measures that gauge the Council's progress in delivering its key transformation plans and strategies. The new set includes both qualitative and quantitative measures as well as key milestones for major transformation programmes. It also includes a number of engagement / perception measures which provide direct feedback from residents and service users regarding their overall wellbeing; how they feel about living in their local area; how satisfied they are with Council services, and the outcomes that these services have helped them to achieve. Performance against the corporate measures is reported to the Senior Leadership Team (SLT) and Cabinet on a quarterly basis.

For this financial year, the Overview and Scrutiny Board and its six sub-committees have also moved away from their traditional approach to performance monitoring, by agreeing their own, more operational set of performance indicators to monitor on a quarterly basis, rather than simply reviewing the relevant sections of the Corporate Performance Report, thus facilitating Member scrutiny of a broader range of measures.

For 2017/18, the Senior Leadership Team decided to remove tolerances from all performance targets, effectively removing the "amber" rating from the previous RAG system. Performance against each indicator is now reported simply either as "red" (off target) or "green" (on target). This focuses attention much more sharply on areas where performance is not at the level desired.

The quarterly review, progress monitoring and change control process introduced in 2016/17 has been enhanced during in 2017/18 by the addition of a quarterly "deep dive", considering a different Council directorate on each occasion, allowing the Administration a regular opportunity to take a more detailed look at performance and challenges, as well as opportunities, in each directorate and the plans in place to address these.

As well as the arrangements described above, individual performance management takes place as part of supervision and the Performance Development Review (PDR) process for each member of staff. Directorate Management Teams and Lead Members receive monthly performance packs analysing the position against the key performance indicators in their respective service areas. Other key boards and partnerships (such as the Safeguarding Boards, Community Safety Partnership, Corporate Parenting Panel and Child Safety Performance Board) also receive regular performance packs specifically tailored to their remits. Regular data quality reports are also produced for services and data cleansing is carried out frequently in respect of key areas such as Adults' and Children's Social Care.

During 2017/18, the Council has introduced Power BI as its new corporate performance tool. This both visualises data better and enables leaders and managers to drill down deeper into the data in order to establish likely reasons for strong or poor performance. So far, a range of dashboards have been created for Children's Services, Learning and Achievement, Adult Services, Community Safety, Enforcement and Health and Safety. Further dashboards are being developed for Environment and Housing services as well as Culture and Customer Access. Corporate performance reporting dashboards are also in development in readiness for the new financial year. During 2018/19, further work will be undertaken to develop dashboards for individual managers and team leaders to provide real-time information to inform day to day management and resource allocation as well as supervision and team meetings.

A new Business Intelligence Board has been established during 2017/18 to ensure successful delivery of the Business Intelligence Strategy that was approved in the previous financial year. The Senior Leadership Team made a deliberate decision to keep membership of this Board at Assistant Director / Head of Service level, both to signal very clearly its commitment to this agenda and also in order to ensure that it is able to make strategic decisions expediently and maintain the necessary momentum in delivering the programme. As well as overseeing the rollout of Power BI, the Board has this year commissioned a Child Yield Study in order to predict and model more accurately the infrastructure needs arising out of new developments and so secure the correct amount of funding from developers for school places and other community facilities and services. The Board has also commissioned the development of a single view of debts owed to the Council via the Data Warehouse. This will facilitate easier identification of those owing multiple debts to the Council so that they can be offered appropriate support to prioritise their debts and manage their finances better, as well as maximising recovery rates for the Council. Work is also underway to use the Data Warehouse to aid the identification of families eligible for the Troubled Families cohort and for whom payment by results should be claimed, and also to support a predictive model to identify properties likely to be Houses of Multiple Occupation (HMOs). This should realise both financial and societal benefits in terms of additional license payments to the Council as well as improved standards of management within these properties. The Business Intelligence Board reports quarterly to SLT, when sitting as the Transformation Management Board.

Financial Rules and Regulations

The Council has Financial and Contract Procedure Rules, Policies and Guidance, along with other procedural documents. These guide officers in their everyday duties and ensure appropriate processes and controls are adhered to. The iProcurement system within Oracle as the Council's main financial system makes use of authorisation limits which are built into the management hierarchies rather than being manually checked before transactions are processed, however this needs to be reviewed in systems that interface into Oracle.

Compliance with the various financial rules and regulations is monitored by management and considered during audits of systems and processes. Reports are available to managers through the One Oracle dashboards to enable monitoring and transparency of specific financial delegations.

In 2018/19 there will be a series of reviews to look at the effectiveness of the Council's Financial and Contract Procedure Rules, Policies and Guidance to ensure they are streamlined as much as possible and support the decision making of the organisation as opposed to hinder and look at the compliance reporting against the control environment.

Effective Audit Committee

The Audit Committee operates in accordance with the relevant CIPFA guidance. The Committee's terms of reference set out in the Constitution contain responsibilities relating to internal control, external audit and internal audit. Members are expected to serve a four year term on the Committee to ensure consistency; they also nominate named substitute members who receive the same level of induction and on-going training to ensure there is sufficient expertise at every meeting to challenge officers. During 2017/18 six members sat on the Audit Committee representing the Conservative, Residents', East Havering Residents', UKIP and Independent Residents' Groups of the Borough. The membership mirrors the political make-up of the Council. The Audit Committee met six times in 2017/18 and has an annual work plan made up of regular and specific agenda items.

Compliance with laws, regulations and internal policies

The Constitution sets out the framework for decision making and the publication of those decisions. There is a scrutiny system in place to ensure that the work of the Council complies with all appropriate policies and achieves value for money. Overview and Scrutiny has the power to call in and challenge all decisions of Cabinet and individual Cabinet Members and key decisions of staff. Legal, finance and human resources staff, as well as the Corporate Diversity Advisor, review every Cabinet, Council and Committee report and every Cabinet Member decision for compliance with laws, policies and regulations. The statutory officers also provide advice to Members at all appropriate times. Internal policies and procedures exist to guide officers and ensure compliance with legislation and proper practice.

Counter Fraud and Confidential Reporting

The Council has a corporate strategy for the prevention and detection of fraud and corruption. The oneSource Fraud Structure has been in existence since 1st April 2015. Responsibility for investigating and prosecuting housing benefit fraud has moved to the Department for Work and Pensions with effect from 1st April 2015.

The work of the service and achievement of the corporate fraud strategy is monitored by the Audit Committee. Proactive promotion of the strategy takes place throughout the year as part of the fraud strategy action plan. Integral to these arrangements is a suite of policies and strategies including; Confidential Reporting (also known as Whistleblowing) Policy, Bribery and Corruption, Money Laundering and a revised Anti-Fraud and Corruption Strategy which was agreed at the September 2015 Audit Committee. Each policy and strategy is communicated to staff via induction, the intranet and awareness raising initiatives. The effectiveness of arrangements is reviewed annually as part of a wider review of anti-fraud and corruption. The results of fraud investigations are publicised to further promote the arrangements in place, as appropriate.

The Council also undertakes and participates in a number of data matching exercises including the National Fraud Initiative (NFI). The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and is conducted every two years. The 2016 NFI matches were made available in 2017 and the 2018 data extracts will be submitted in October this year.

The Council has signed an 'in principle' memorandum of understanding with London Councils to join the London Counter Fraud Hub, which is currently being piloted by 5 Boroughs, although the Council is not part of the initial pilot. The hub will enable all 33 councils in London to share their data in order to prevent and detect fraud in such as areas of business as council tax, business rates, and housing tenancies. It will operate on a payment by results commercial model, requiring no up-front investment by the Council.

In addition, the Council has extended its housing fraud work, targeted at illegal sub-letting of council houses, Right to Buy fraud and fraud associated with its homelessness operation.

Complaints

The Council's Corporate Complaints Policy and procedure has been in place since 1st April 2015. The Policy sets out a clear definition of a complaint, and encompasses robust auditing and performance monitoring procedures. Appropriate procedures are also in place to ensure that statutory complaints relating to adults' and children's social care are dealt with in accordance with the relevant regulations. The procedures are supported by the relevant technologies to ensure efficiency and streamlined processes and include an escalation procedure if a complainant remains dissatisfied.

Ombudsman

The Council comes within the jurisdiction of the Local Government and Social Care Ombudsman. In 2017/18, the Ombudsman found eleven cases of maladministration against the Council. Five cases were “maladministration & injustice without penalty” and six cases were “maladministration & injustice with penalty”.

Training and Development

The Council has a commitment that every member of staff has an ongoing Performance Development Review (PDR) throughout the year as well as formal timescales for agreeing targets and objectives and outcomes.

The Council's One Oracle and eLearning (Learning Pool) systems capture performance, development and training information within modules meaning that system generated management information is available for both strategic and operational management of resources and decision making. It also allows for senior management to ensure that there is compliance within the organisation with corporate policy in this area and efficiently provides assurance that mandatory training, required for officers to competently fulfil their roles, has been completed.

The Council's expectations and demands on managers are high; a behavioural competency framework is in place and annually all people resources are assessed against the competencies as part of the annual Performance Development Review which also rates progress towards objectives. This has been carried out offline during 2016/17 due to some issues with the PDR section on Oracle.

The Council has attained the Member Development Charter. A development programme to keep Members up to date with changes and support their individual training needs is provided, with training is tailored to individual roles. Training is supplemented by information through briefings and bulletins.

With the introduction of the Apprenticeship Levy the Council will be undertaking a skills analysis of the organisation to help and plan for the effective upskilling of employees as well as being clear about what skills are needed when recruiting apprentices, rather than providing generic business administration training for example

The Council is committed to inducting new employees effectively and provides induction guidance, which the Council are now exploring how to do this more digitally through the use of an E Learning platform. The Council also offers a face-to-face session for new employees on a quarterly basis. The Council have also, reviewed its Induction intranet presence to ensure it is up to date and relevant, part of this a newly designed starter and leaver portal (online) has been launched to assist line managers more effectively. The Council has an agreed framework for managing people which articulates the Council's approach to leadership development, talent management and employee development, employee engagement, culture change and performance.

The Council is continually developing its e-learning delivery capacity and has developed compulsory modules in Codes of Conduct; Data Protection (GDPR); Declaration of

Interest; Fraud Awareness; Information Security, Safeguarding and Whistle-blowing. The range of modules will be expanded as required during 2018/19.

Communication and Engagement

The Council strives to identify and develop new effective mechanisms to communicate and consult with the community. A wide number of fora take place to consult with members of the community, particularly targeting 'hard-to-reach' groups, such as the Over 50s forum, the BME (Black and Minority Ethnic) forum and the Inter Faith forum. The Council also has a small Community Development Team which focuses on community development but also supports and seeks to maximise engagement in key corporate consultation exercises.

The Council maintains a website www.havering.gov.uk to provide information and services to the residents of the Borough. The publication '*Living in Havering*' is distributed to all households four times a year, promoting access to services and raising the profile of the work done by the Council and local people to make Havering a good place to live. This is augmented with regular emailed newsletters on a host of subjects as well as communication through other channels, from social media to the local press.

Consultation is carried out as part of the development of the MTFs and annual budget. Views are sought through various online and print communications, and the budget itself is subject to scrutiny through Cabinet and Overview and Scrutiny Committees.

The public are also consulted on the Council's future priorities. In 2018 the budget consultation asked residents about their priorities for the borough and the Council's intention to increase Council Tax including a precept for Adult Social Care.

Transformation

A number of new programmes/projects have been initiated to deliver savings required to close the budget gap over the medium term. In many cases these comprise a change to the way services are delivered or reduction in grant funding. All activity and savings are the responsibility of the Director or Assistant Director of the relevant service area. A new project and programme management system was implemented in late 2016 to ensure transparency and a consistent approach to reporting activity. This delivers 1) visibility to the Senior Leadership Team (SLT) and the Cabinet, 2) enables interdependencies between projects to be managed; and 3) ensure slippage is identified at an early stage and mitigations effectively managed. Monthly oversight of the transformation programme takes place at the SLT Transformation Management Board meeting. SLT also monitors the position on budgets and delivery of the MTFs to ensure any risks are identified early and mitigations put in place.

Budget development and challenge sessions are also to be held with Members to consider and plan for the Council's priorities. A series of new initiatives are also being evaluated to assess the benefits of new ways of working to support the financial position and promote a stable workforce.

Partnerships and Collaborative Working

There are a number of partnership boards in place such as the Community Safety Partnership, the Health and Wellbeing Board and the Children's Trust. There are also a number of other fora in existence in Havering including the Culture Forum, a range of equality and diversity forums and many others.

The Council has for a number of years worked closely with neighbouring boroughs to share good practice and efficiency success. In response to the reduced funding for local government this work has expanded to consider stronger relationships that will yield cost savings to all parties. These initiatives have in the past involved shared procurements, information technology developments and shared management posts.

oneSource

In April 2014 the Council's shared back office service with the London Borough of Newham was launched. This arrangement is comprised of 22 services, 1350 staff and an agreed business case to save £40m over five years. This resulted in significant changes to the governance framework. A Joint Committee of six Members, three from each Council, was established to oversee the partnership arrangements and a shared management structure established with officers from each council having executive responsibilities delegated to them within the two Constitutions via the Scheme of Delegation.

The London Borough of Bexley has subsequently joined the shared service and delegated its finance and exchequer services to oneSource from 1st April 2016 through its Constitution and Scheme of Delegation. One Member from Bexley has joined the Joint Committee.

Mercury Land Holding

Mercury Land Holding has been established as a wholly owned subsidiary of LBH. In July 2016 the company embarked on its first development and the council has provided both equity and loans to the company to cover both development costs and company overhead and received income in the form of Loan Arrangement Fee, Commitment Fee, Lenders Agency Fee and Interest.

AUDIT COMMITTEE

| | |
|---|--|
| Subject Heading: | Annual Statement of Accounts 2017/18 & To those charged with Governance |
| SLT Lead: | Jane West |
| Report Author and contact details: | Contact: Radwan Ahmed Designation: Head of Finance –Financial Control & Corporate Business Systems Telephone: 0203 373 0934 E-mail address: Radwan.Ahmed@oneSource.co.uk |
| Policy context: | Audit Committee responsible for approving accounts. |
| Financial summary: | There are no direct financial implications to the report. |

The subject matter of this report deals with the following Council Objectives

| | |
|-------------------------------|-------------------------------------|
| Communities making Havering | <input type="checkbox"/> |
| Places making Havering | <input type="checkbox"/> |
| Opportunities making Havering | <input checked="" type="checkbox"/> |
| Connections making Havering | <input type="checkbox"/> |

SUMMARY

The Council's Statement of Accounts is required to be published after the conclusion of the external audit of accounts; no later than 31st July 2018. At this stage our auditors, Ernst and Young, expect to issue an unqualified opinion on the Statement of Accounts.

RECOMMENDATIONS

The Committee is asked to:

- a) Consider the contents of this report and the Statement of Accounts (Appendix A) , alongside the "Report to those charged with Governance" (Appendix B) and any verbal updates by the External Auditor under that agenda item, following their examination of the Council's accounts.
- b) Note that the audited accounts must be published by 31st July 2018.
- c) Note the amendments to the accounting policies arising from the audit of the accounts set out at paragraph 2 of the Report.
- d) Approve the Statement of Accounts for the financial year ended 31st March 2018, having regard for the auditor's Report.
- e) Agree that the Chair of the Committee, in consultation with the Chief Operating Officer and Statutory Chief Finance Officer be delegated to approve any subsequent amendments to the Statement of Accounts that may be necessary as a result of audit completion procedures.
- f) To sign the Letter of Representation (Appendix C).

REPORT DETAIL

1. Statement of Accounts 2017/18

The Accounts and Audit Regulations 2015 require that from financial year 2017/18, each local authority must prepare and publish its approved draft and audited accounts by 31st May and 31st July respectively (previously 30th June and 30th September). This change has had a significant impact on both Havering and our auditors to ensure the accounts are completed within the required timescales.

Our auditors, Ernst and Young, have almost completed their audit of the Statement of Accounts and expect to issue an unqualified opinion. A formal report on their findings will be circulated prior to audit committee.

The latest draft of the Statement of Accounts and Annual Audit report will be provided prior to the audit committee however there are only a few minor changes from the draft that had been circulated in June. These changes are currently being agreed with the auditors as a result of their work. The two main changes relate to:

- a presentational adjustment between debtors and creditors of £561k relating to the netting off of payroll balances
- a reclassification of £3,545k relating to the treatment of Leaseholders Major Work's balances, from Creditors, to the aggregate HRA earmarked reserve.

Following approval of the recommendations by this Committee, the accounts and Letters of Representation must be signed by the Chair of the Committee and the Chief Financial Officer.

2. Accounting Policies

The Audit Committee meeting of 28th February 2018 noted the accounting policies to be applied to the financial year 2017/18, and these are reflected in the draft Statement of Accounts. The accounting arrangement around the group has been made more explicit and clarifies the consolidation of Mercury Land Holdings as well as the joint venture arrangements which will be incorporated into Havering's accounts in 2018/19.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications arising from the publication or approval of accounting policies. There are no material changes to policy impacting upon the Council's financial position.

Legal implications and risks: N/A

Human Resources implications and risks: N/A

Equalities implications and risks: N/A

Appendix A

London Borough of Havering

Statement of accounts for the financial year 2017/18

To Follow

Appendix B

Report to the Audit Committee of the authority on the audit of the statement of accounts and pension fund accounts for the year ended 31 March 2018 (ISA (UK&I) 260)

To Follow

Appendix C

London Borough of Havering – Letter of Representation

Havering Pension Fund– Letter of Representation

To Follow

AUDIT COMMITTEE

30 JULY 2018

Subject Heading:

**Annual Treasury Management Report
2017/18**

SLT Lead:

**Jane West
Chief Financial Officer**

Report Author and contact details:

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Policy context:

The code of practice on Treasury Management 2011 requires a year-end report to Full Council on the treasury management activities.

Financial summary:

**There are no direct financial
implications from the report.**

The subject matter of this report deals with the following Council Objectives

| | |
|-----------------------------|-----|
| Communities making Havering | [x] |
| Places making Havering | [x] |
| Places making Havering | [x] |
| Connections making Havering | [x] |

SUMMARY

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function to Full Council at least twice per year (mid-year and at year end).

The Authority's treasury management strategy for 2017/18 was approved at a meeting of the Authority in February 2017 and revisions to the strategy were approved at a meeting of the Authority in September 2017.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers activity on treasury managed investments and borrowings and the associated monitoring and control of risk.

RECOMMENDATIONS

- To note the treasury management activities for the financial year 2017-18 detailed in the report.

KEY HIGHLIGHTS

- Investment income for the year was £1.51m compared to a budget of £1.35m.
- The Authority's average interest return was 0.74% outperforming the budgeted rate of return by 0.14%, and was also better than the average of 0.64% across the London Peer Group and 0.63% across the Local Authority Group within Arlingclose's benchmarking club.
- The Authority complied with all set treasury and prudential Indicator limits
- The Authority successfully opted up to MiFID II professional status with the relevant counter parties in January 2018, enabling the Authority to deliver the Treasury Management Strategy.

1. External Context

1.1. Economic Backdrop

The significant economic event was the increase in the Bank Rate in November by 0.25% to 0.50%, making it the first increase by the Bank of England's MPC in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result.

Arlingclose expects the Bank of England to take a very measured approach to any monetary policy tightening. Any increases will be gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.

The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69%.

The 50 year PWLB rates for fixed term borrowing were 2.57% at the start of the financial year and 2.49% at year end. There was some volatility in the rate with a peak of 2.84% in February and a dip in September at 2.45%. The Authority did not forecast to undertake any additional borrowing in the 17/18 borrowing strategy. This was kept under review during the year; assessing the need to externally borrow at various times during the course of the year. No long term borrowing was undertaken in the year as it has been more cost effective to use internal borrowing or to borrow short term loans instead.

1.2 Credit Background

Ring-fencing: The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

In general, the agencies expect to give the ring-fenced "retail" bank a higher credit rating than the non ring-fenced "investment" bank. In practice, this will only affect Barclays, HSBC, RBS and Lloyds to a lesser extent as other UK banks and building societies either only conduct retail banking activities or

have less than £25 billion of deposits covered by the Financial Services Compensation Scheme.

Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

HSBC and Lloyds Bank have then on completed their ring fence restructures and local authority deposits will be held with their retail banks; HSBC UK and Lloyds Bank respectively.

The RBS banking group has completed its ring fencing exercise as well and will see the current RBS plc formally being renamed as NatWest Markets. This entity will become the non ring-fenced bank of the RBS Group plc. At the same time, the current Adam & Co will become the new RBS plc, while National Westminster Bank plc will be unchanged, and also be a ring-fenced entity within the group structure.

1.3 Money Market Fund regulation: The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

1.4 Credit Rating developments

The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

Changes to credit ratings included the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).

Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

Moody's downgraded Rabobank's long-term rating from Aa3 to Aa2 due to its view on the bank's profitability. Arlingclose's advice is that they remain comfortable with clients making unsecured investments with the Rabobank for periods up to 13 months. The Authority has investments with Rabobank, domiciled in the Kingdom of Netherlands (Sovereign Rating of AAA) of £15m, maturing in October 2018.

As explained in the Treasury Management Strategy Statement (TMSS), investment decisions are made by reference to the lowest published long term credit rating from Fitch, Moody's or Standard & Poor's ratings agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. The minimum lending credit rating criteria for counter parties as set out in the TMSS is A- . The TMSS also sets out that for non UK banks, a sovereign rating of AA+ and above will be used.

Moody's downgraded the long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment; however the ratings remain above the Authority's approved ratings for highly rated counterparties. The Authority currently has no investments with Canadian banks.

Moody's also downgraded the ratings of the large Australian banks to Aa3, on its view of the rising risks from their exposure to the Australian housing market. The rating of Aa3 is still within the boundaries of the Authority's approved ratings for highly rated counterparties. The Authority has total investments of £15m with Australian banks; £5m with the Commonwealth Bank of Australia, maturing in October 2018 and £10m with the Australia and New Zealand Banking Corporation maturing in December 2018.

In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

1.5. CIPFA Codes:

CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The Authority is currently considering the changes from the 2011 Code for incorporation into future Treasury Management Strategies and monitoring reports.

The 2017 Prudential Code introduces the requirement for a Capital Strategy which sets out the long-term context of capital expenditure and investment

decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. This strategy must be approved by full Council, and the determination of the Treasury Management Strategy can then be delegated to a committee.

In the 2017 Treasury Management Code the definition of ‘investments’ has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy.

**Ministry of Housing, Communities and Local Government (MHCLG)
Guidance on Investments and Minimum Revenue Provision (MRP):**

In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).

Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called “loans” (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

The definition of prudent MRP has been changed to “put aside revenue over time to cover the CFR”; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

Officers are currently reviewing this new guidance and the CIPFA revised codes and in particular how it impacts on this authority’s commercial agenda and will report back in detail at a future Audit Committee.

2. Treasury Management Summary

The treasury management position as at 31st March 2018 and the change over the period is shown in table 1 below.

Table 1: Treasury Management Summary as at 31st March 2018

| | 31.3.17 | | 31.03.18 | 31.03.18 |
|---------------------------|----------------|---------------|----------------|-------------|
| | Balance | Movement | Balance | Rate |
| | £m | £m | £m | % |
| Long-term borrowing | 210.234 | - | 210.234 | 3.59 |
| Short-term borrowing | 2.512 | 27.740 | 30.252 | 0.67 |
| Total borrowing | 212.746 | 27.740 | 240.486 | 3.23 |
| Long-term investments | 40.000 | (7.000) | 33.000 | 1.55 |
| Short-term investments | 130.808 | 20.042 | 150.850 | 0.63 |
| Cash and cash equivalents | 30.096 | 14.643 | 44.739 | 0.51 |
| Total investments | 200.904 | 27.685 | 228.589 | 0.74 |
| Net borrowing | 11.842 | 0.055 | 11.897 | 2.49 |

3. Borrowing Strategy

3.1 The 31st March 2018 borrowing position is shown in table 2 below.

Table 2: Borrowing Position

| | Balance at 01/04/17 £m | Raised £m | Repaid £m | Balance at 31/03/18 £m | Weighted Average Rate % |
|--|---------------------------|----------------|------------------|---------------------------|----------------------------|
| Loans | | | | | |
| PWLB | 203.234 | - | - | 203.234 | 3.60 |
| Bank (LOBO) | 7.000 | - | - | 7.000 | 3.60 |
| Local Authorities and Other (Short Term Borrowing) | 2.512 | 132.451 | (104.712) | 30.251 | 0.67 |
| Total Loans | 212.746 | 132.451 | (104.712) | 240.485 | 3.23 |

As illustrated in Tables 1 & 2 above long term investments have remained over £200m generating a very modest return in comparison to the average cost of long term borrowing. Therefore, it has been more cost effective to use internal resources to fund unfinanced capital expenditure incurred in 2017/18.

4. Investment Activity

- 4.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. The investment position during the financial year is shown in Table 3 below.
- 4.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

Table 3: Investment Activity

| | 31.3.17 Balance | Movement | 31.03.18 Balance | Weighted Average Rate % |
|---|--------------------|---------------|---------------------|----------------------------------|
| Investments | | | | |
| Banks & Building Societies (Fixed Unsecured) | 100.000 | -51.000 | 49.000 | 0.59 |
| Banks & Building Societies (Call & Notice Accounts Unsecured) | 23.184 | 0.019 | 23.202 | 0.51 |
| Banks & Building Societies (Fixed Secured) | 8.800 | - | 8.800 | 0.55 |
| Government (incl. Local Authorities) | 62.000 | 69.850 | 131.850 | 0.80 |
| Money Market Funds | 6.920 | 5.816 | 12.737 | 0.45 |
| Corporate Bonds and Loans | | 3.000 | 3.000 | 4.00 |
| Total investments | 200.904 | 27.685 | 228.589 | 0.74 |

- 4.3 At 31 March 2018, the Authority's risk adjusted return was higher than the Arlingclose universe and also the average for its 12 London Boroughs. The

Authority's average return on investments was 0.74% compared to an average return of 0.64% on internally managed investments within the Arlingclose benchmarking club.

Appendix A shows the breakdown of counterparties and investments for the authority.

Appendix B provides a summary of Arlingclose's quarterly benchmarking report.

5. Budgeted Income and Return

5.1 The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 4 below:

Table 4: Treasury Investment Performance 2017-18

| | Benchmark Return 3 month LIBOR (Average Quarterly Rate) % | Budgeted Rate of Return % | Budgeted Interest (Full Year) £m | Actual Rate of Return % | Actual Interest to end of Quarter £m |
|------------------|---|-------------------------------------|--|-----------------------------------|--|
| Quarter 1 | 0.31 | 0.60 | 1.350 | 0.68 | 0.373 |
| Quarter 2 | 0.30 | 0.60 | 1.350 | 0.64 | 0.359 |
| Quarter 3 | 0.47 | 0.60 | 1.350 | 0.64 | 0.364 |
| Quarter 4 | 0.56 | 0.60 | 1.350 | 0.69 | 0.411 |
| Total | | | 1.350 | | 1.507 |

6. New borrowing

6.1 Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

6.2 As short-term interest rates have remained, and are likely to rise by a limited extent over the forthcoming two years and remain significantly lower than

long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources instead, referred to as internal borrowing.

- 6.3** As a result no long term borrowing has been undertaken during the current year but this will be kept under continuous review.

7. Compliance with Treasury and Prudential Limits

- 7.1** During the year, the Authority has operated within the treasury limits and Prudential Indicators set out in the authority Treasury Management Strategy Statement and in compliance with the authority's Treasury Management Practices. An update on indicators and limits are reported in **Appendix C** of this report.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications arising from this report.

Legal implications and risks:

There are no apparent legal implications or risks from noting this report.

Human Resources implications and risks:

There are no HR implications from this report

Equalities implications and risks:

There are no Equalities implications arising from this report

BACKGROUND PAPERS

None



Table 1 breakdown of Deposits at 31st March 2018

| Institution Type | 31st March 2018 Actual £m | 31st December 2017 Actual £m |
|--|---------------------------------|------------------------------------|
| UK Banks | | |
| Goldman Sachs INT"L Bank | 23.100 | 23.100 |
| Lloyds Bank PLC | 10.000 | 13.000 |
| Close Brothers Ltd | 5.000 | 5.000 |
| Royal Bank of Scotland | 0.100 | 0.100 |
| Santander UK PLC | 0.002 | 5.008 |
| Santander UK PLC (Covered Bond) | 3.800 | 3.803 |
| UK Building Societies | | |
| Yorkshire Building Society (Covered Bond) | 5.000 | 5.217 |
| Local Authorities & Other Public Sector | | |
| Birmingham City Council | 5.000 | 15.000 |
| Blackburn with Darwen Borough Council | 5.000 | 5.000 |
| Cheshire East Council | 5.000 | 5.000 |
| Dorset County Council | 5.000 | |
| Dundee City Council | 5.000 | 5.000 |
| Falkirk Council | 5.000 | 5.000 |
| Gateshead Metropolitan Borough Council | 5.000 | 5.000 |
| Highland Council Inverness | 15.000 | 15.000 |
| Lancashire County Council | 15.000 | 15.000 |
| Lincoln City Council | 1.750 | |
| London Borough of Islington | 5.000 | 5.000 |
| Mid and East Antrim Borough Council | 1.600 | 1.600 |
| Newcastle Upon Tyne City Council | 15.000 | 10.000 |
| North Ayrshire Council | 5.000 | - |
| Northumberland County Council | 15.000 | 15.000 |
| Plymouth City Council | 7.000 | 7.000 |
| Salford City Council | 5.000 | |
| Stockport Borough Council | | 5.000 |
| Uttlesford District Council | 4.000 | 4.000 |
| Non UK Banks | | |
| Australia | | |
| Australia & New Zealand Banking Group | | 5.000 |
| Commonwealth Bank of Australia | | 5.000 |
| Netherlands | | |
| Cooperative Rabobank | 15.000 | 15.000 |
| Singapore | | |
| Development Bank Singapore | 7.000 | 12.000 |
| United Overseas Bank | 12.000 | 12.000 |
| Money Market Funds | | |
| BNP Paribas Insticash Sterling MMF | 10.597 | 8.757 |
| Insight Liquidity Sterling C3 | 2.140 | |
| Unrated Corporate Bonds | | |
| Rockfire Capital Ltd | 3.000 | |
| TOTAL INVESTMENTS | 228.589 | 230.585 |



Investment Benchmarking

31 March 2018

12 London
& Met
Boroughs
Average 135 LAs Average

| | | | |
|--------------------------|----------------|----------------|---------------|
| Internal Investments | £228.9m | £107.9m | £57.1m |
| External Funds | £0.0m | £3.6m | £10.2m |
| TOTAL INVESTMENTS | £228.6m | £113.0m | £67.4m |

| Security | | | |
|---------------------------------------|------|------|------|
| Average Credit Score | 4.08 | 4.29 | 4.24 |
| Average Credit Rating | AA- | AA- | AA- |
| Average Credit Score (time-weighted) | 4.61 | 4.20 | 4.03 |
| Average Credit Rating (time-weighted) | A+ | AA- | AA- |
| Number of Counterparties / Funds | 33 | 17 | 15 |
| Proportion Exposed to Bail-in | 29% | 54% | 55% |

| Liquidity | | | |
|--------------------------------------|-----|-----|-----|
| Proportion Available within 7 days | 10% | 51% | 42% |
| Proportion Available within 100 days | 42% | 77% | 69% |
| Average Days to Maturity | 253 | 131 | 35 |

| Market Risks | | | |
|---------------------------------|------|------|------|
| Average Days to Next Rate Reset | 253 | 147 | 58 |
| External Fund Volatility | 0.0% | 0.4% | 2.1% |

| Yield | | | |
|---|--------------|--------------|--------------|
| Internal Investment Return | 0.74% | 0.64% | 0.63% |
| External Funds - Income Return | | 1.52% | 3.22% |
| External Funds - Capital Gains/Losses | | 0.31% | 0.19% |
| External Funds - Total Return | | 1.84% | 3.41% |
| Total Investments - Income Return | 0.74% | 0.71% | 1.05% |
| Total Investments - Total Return | 0.74% | 0.78% | 1.08% |

Notes

- Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.
- Averages within a portfolio are weighted by size of investment, but averages across authorities are not weighted.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.

Compliance Report

All treasury management activities undertaken during the financial year t complied fully with the CIPFA Code of Practice and the authority’s approved Treasury Management Strategy. Compliance with specific treasury limits is demonstrated in tables below.

1.1 Interest Rate Exposures

1.1.1 This indicator is set to control the Authority’s exposure to interest rate risk on its debt portfolio. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of gross principal borrowed will be:

Table1: Interest rate exposure activity

| | 2017/18 Limit % | 2017/18 Actual % | 2018/19 Limit % | 2019/20 Limit % |
|--|-----------------------|------------------------|-----------------------|-----------------------|
| Upper limit on fixed interest rate exposure | 100 | 85 | 100 | 100 |
| Upper limit on variable interest rate exposure | 25 | 15 | 30 | 35 |

Fixed rate borrowings are those borrowings where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

1.1.2 Having larger amounts of fixed interest rate borrowing gives the Authority greater stability with regards to its interest payments and reduces the risk of higher interest costs should interest rates rise. Traditionally local authorities have taken advantage of fixing interest rates long term to reduce interest rate exposure. The table excludes Salix Finance loans as these are held at zero interest hence no interest rate exposure.

1.2 Maturity Structure of Borrowing

1.2.1 This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Table 2: Loan maturity structure

| | Upper % | Lower % | Actual % |
|--------------------------------|---------|---------|----------|
| Under 12 months | 40 | 0 | 3.3 |
| 12 months and within 24 months | 40 | 0 | 0 |
| 24 months and within 5 years | 60 | 0 | 0.5 |
| 5 years and within 10 years | 75 | 0 | 18.1 |
| 10 years and above | 100 | 0 | 78.0 |

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

1.3 Principal Sums Invested for Periods Longer than 364 days

1.3.1 The purpose of this indicator is to control the authority's exposure to the risk of incurring losses by seeking early repayment of its investments.

1.3.2 The limits set in the 2017/18 treasury management strategy in comparison to the quarter one is set below. It is the authority's policy to classify available for sale investments with maturities exceeding one year as short term investments.

Table 3: Investments for periods longer than 364 days

| | 2017/18 Limit £m | 2017/18 Actual £m | 2018/19 Limit £m |
|---|------------------|-------------------|------------------|
| Limit on principal invested beyond year end | 75 | 33 | 75 |

1.4 Liquidity Treasury Indicator

1.4.1 The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments overnight and within a rolling three month period without additional borrowing.

Table 4: Liquidity activity as at 31/03/2018

| | Target £m | Actual £m |
|--|----------------------|----------------------|
| Total cash available by the next working day | 5.000 | 12.837 |
| Total cash available within 3 months | 30.000 | 51.100 |

1.5 Security Treasury Indicator

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio.

Table 5: Security Treasury Indicator

| | 31.03.18 Actual | 2017/18 Target |
|---------------------------------|----------------------------|---------------------------|
| Portfolio average credit rating | A+ | A+ |

1.6 Gross Debt and the Capital Financing Requirement (CFR)

1.6.1 In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. This is a key indicator of prudence.

Table 6: Gross debt and the CFR at 31st March 2018

| | 31.03.17 Actual £m | 31.03.18 Estimate £m | 31.03.19 Estimate £m | 31.03.20 Estimate £m |
|-------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Long Term External Debt | 210.234 | 210.234 | 210.234 | 256.234 |
| CFR | 250.578 | 280.794 | 325.527 | 371.890 |
| Internal Borrowing | 40.344 | 70.560 | 115.293 | 115.656 |

1.6.2 Total debt is expected to remain below the CFR during the year. The actual debt levels are monitored against the Operational Boundary and authorised Limit for External Debt, below.

1.7 Operational Boundary for External Debt

- 1.7.1 The operational boundary is based on the authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Table 7: Operational Boundary

| Operational Boundary | 2017/18 £m | 31.03.18 Actual | 2018/19 £m | 2019/20 £m |
|-----------------------------|-----------------------|----------------------------|-----------------------|-----------------------|
| Borrowing | 276.300 | 240.485 | 310.600 | 341.400 |
| Other long-term liabilities | 2.000 | 0.000 | 2.000 | 2.000 |
| Total | 278.300 | 240.485 | 312.600 | 343.400 |

1.8 Authorised Limit for External Debt

- 1.8.1 The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Table 8: Authorised limit for external debt

| Authorised Limit | 2017/18 £m | 2018/19 £m | 2019/20 £m |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| Borrowing | 303.900 | 341.700 | 375.500 |
| Other long-term liabilities | 2.000 | 2.000 | 2.000 |
| Total Debt | 305.900 | 343.700 | 377.500 |
| Long Term Debt | 210.200 | 210.200 | 210.200 |
| Headroom | 95.700 | 133.500 | 133.500 |

A bond is a debt instrument in which an investor lends money for a specified period of time at a fixed rate of interest. The issuing entity could be corporate, financial or government.

A floating rate note (FRN) is a money market instrument with a Floating/variable rate of interest, which re-fixes over a reference rate, for example 3 month LIBOR.

Bail in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. A **bail-in** is the opposite of a **bail-out**, which involves the rescue of a financial institution by external parties, typically governments using taxpayer's money.

Certificates of deposit (CDs) are a negotiable form of fixed deposit, ranked pari passu with fixed deposits. The difference is that you are not obligated to hold the CD to maturity, you can realise the cash by selling in the secondary market.

Coupon is the total amount of interest a security will pay. The coupon period depends on the security. A CD will often pay interest at maturity, while a bond may pay semi annually or annually and an FRN will most likely pay every 3 months.

Covered bond Covered bonds are conventional bonds (fixed or floating) issued by financial institutions, that are backed by a separate group of loans, usually prime residential mortgages. This lowers the creditor's exposure to default risk, enhancing the credit. This is why the issue is usually rated AAA, higher than the rating given to the issuer reduces exposure to bail-in risk.

Credit rating A measure of the credit worthiness of a borrower. A credit rating can be assigned to country, organisation or specific debt issue/ financial obligation. There are a number of credit ratings agencies but the main 3 are Standard & Poor's, Fitch or Moody's.

MIFID is the Markets in Financial Instruments Directive. A European Union Directive.

Principal is the total amount being borrowed or lent.

Spread is the difference between the buy and sell price of a security. It can also be the gap, usually in basis points, between the yield of a security and the benchmark security.

Monetary Policy Committee (MPC) is a committee of the Bank of England, which meets for three and a half days, eight times a year, to decide the official interest rate in the United Kingdom (the Bank of England Base Rate).

CPIH (Consumer Prices Index including owner occupiers' housing costs) The new additional measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH).

Treasury bills (T-bills) are UK government rated, short-dated form of Government debt, issued by the Debt Management Office (DMO) via a weekly tender. T-bills are normally issued for one, three or six month duration.

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AUDIT COMMITTEE

| | |
|---|---|
| Subject Heading: | Head of Assurance Annual Report 2017/18 |
| SLT Lead: | Sean Harriss Interim Chief Executive, oneSource |
| Report Author and contact details: | Jeremy Welburn Interim Head of Assurance Tel: 01708 432610 / 07976539248 E-mail: jeremy.welburn@onesource.co.uk |
| Policy context: | To present a summary of the outcomes of Internal Audit and Counter Fraud work completed during 2017/18 and the Head of Assurance’s annual opinion. |
| Financial summary: | N/A |

The subject matter of this report deals with the following Council Objectives

| | |
|-------------------------------|-----|
| Communities making Havering | [X] |
| Places making Havering | [X] |
| Opportunities making Havering | [X] |
| Connections making Havering | [X] |

SUMMARY

This report brings together all aspects of audit, assurance and counter fraud work undertaken in the 2017/18 financial year, including actions taken by management in response to audit and counter fraud activity, which supports the governance framework of the authority. The report includes the Head of Assurance opinion on the internal control environment for 2017/18. The main body of the report highlights key outcomes from audit & counter fraud work and provides information on wider issues of interest to the Audit Committee.

The information is contained within an Annual Report which is attached as Appendix 1 of this report

RECOMMENDATIONS

Members are asked to note the contents of the report.

REPORT DETAIL

In accordance with the Accounts and Audit (England) Regulations, this report details the work undertaken to review the system of internal control and provides Senior Management and Members with assurance that an adequate system of internal control is in place within the London Borough of Havering.

The reports summarises the audit and counter fraud work undertaken that supports the assurance provided and well as formally communicating key messages and issues.

This report only aims to summarise overall themes, as the findings of individual audits have also been included within quarterly progress reports presented to Audit Committee during the year.

Appendix 1: Head of Assurance Annual Report 2017/18

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications or risks arising directly from this report which is for information only.

Legal implications and risks:

Regulation 6 of the Accounts and Audit Regulations 2015 requires the Authority to conduct a review of the effectiveness of the system of internal control which must be approved by the relevant committee. This report seeks to comply with that statutory obligation and there are no apparent risks in approving the Report.

Human Resources implications and risks:

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

Equalities implications and risks:

None arising directly from this report.

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HEAD OF ASSURANCE ANNUAL REPORT

2017/18



Havering
LONDON BOROUGH

1. Introduction

- 1.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit (Head of Assurance) is required to provide an annual opinion to the Audit Committee, based upon and limited to the work performed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is achieved through an audit plan that has been focused on key strategic and operational risk areas, agreed with senior management and approved by the Audit Committee. The Head of Assurance opinion does not imply that internal audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based audit work formulated around a selection of key systems and risks.
- 1.2 This report provides Members of the Audit Committee with:
- The Head of Assurance Opinion for 2017/18 on the overall internal control environment;
 - An overview of the Council's risk management processes;
 - A summary of the work undertaken by Internal Audit in 2017/18 that supports the opinion; and
 - Review of the outcomes of key internal audit reports.
- 1.3 In line with best practice, Internal Audit prepares, in consultation with senior management, an annual risk based strategic plan. The audit plan is, if necessary, amended during the year to reflect changes within the Council's risk profile.
- 1.4 From the work undertaken during the year, **reasonable assurance** can be provided that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally applied consistently. The level of assurance, therefore, remains at a level consistent with the assurance provided in 2016/17. In giving an opinion the system of internal control can provide only reasonable, and not absolute, assurance.
- 1.5 The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments, contained within the Internal Audit risk based plan, that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. A summary of Audit Opinions is shown in the following table:

Table 1 – Summary of Audit Opinions 2017/18

| Category | Substantial | Moderate | Limited |
|--------------------|-------------|-----------|----------|
| oneSource | 7 | 1 | 0 |
| LBH Systems Audits | 12 | 2 | 2 |
| LBH Schools Audits | 5 | 9 | 0 |
| Total | 24 | 12 | 2 |

- 1.6 The table below provides the definitions of the assurance levels provided by internal audit:

| Key to Assurance Levels | |
|--------------------------------|--|
| Substantial Assurance | There is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives. |
| Moderate Assurance | Whilst there is basically a sound system of control within the areas reviewed, weaknesses were identified and therefore there is a need to enhance controls and/or their application and to improve the arrangements for managing risks. |
| Limited Assurance | There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level. |

- 1.7 Appendix A details all internal audit work undertaken during 2017/18. It should be noted that some of the work undertaken by internal audit does not result in an opinion being provided, such as advisory reviews and grant claims.
- 1.8 Two LBH audits were given an audit opinion of Limited Assurance during 2017/18. Detailed summaries of these reports: Project and Programme Governance review; and, No Recourse to Public Funds (NRPF), have been provided to the Audit Committee in the quarter four Assurance progress report.
- 1.9 Follow up Work

The Internal Audit Team tracks the completion of all audit recommendations. Information regarding outstanding recommendations is reported as part of the quarterly update provided to the Audit Committee. Annually the Audit Committee receive a full list of all outstanding high risk recommendations. The status of the high risk recommendations raised during 2017/18 is outlined within the table below.

System Audits

| | |
|---|-----------|
| Number of high risk recommendations raised during 2017/18 | 14 |
| Number of high risk recommendations due to be implemented by 31/05/2018 | 2 |
| Number of high risk recommendations fully implemented | 2 |
| Number of high risk recommendations partially implemented | 0 |
| Number of high risk recommendations not implemented | 0 |
| Number of high risk recommendations raised in quarter four and not yet due for implementation | 12 |

School Audits

| | |
|---|----------|
| Number of high risk recommendations raised during 2017/18 | 2 |
| Number of high risk recommendations due to be implemented by 31/05/2018 | 2 |
| Number of high risk recommendations fully implemented | 2 |
| Number of high risk recommendations partially implemented | 0 |
| Number of high risk recommendations not implemented | 0 |

2. Schools Programme

- 2.1 There are currently 49 borough maintained schools within Havering with 47 schools having received a triennial audit between the financial years. 2015/16 – 2017/18. The remaining two schools have received at least one health check since their last triennial visit, and are scheduled to be reviewed as part of the 2018/19 audit plan. In addition to assessing the implementation of recommendations raised following the previous audit, the Health Check also reviews the perceived high risk areas, including those common themes noted in paragraph 2.3 below.
- 2.2 Assurance opinions are given for each school report. Of the 14 schools receiving a triennial audit in 2017/18, five received Substantial Assurance, nine received Moderate Assurance and no Limited Assurance reports were issued.
- 2.3 Recommendations raised during the 17/18 audits produced some common themes found across multiple schools:
- Procurement: Schools are not consistently raising orders before receipt of an invoice. This creates issues with budget monitoring processes for the schools as they are potentially unaware of spend before the invoice arrives;
 - Self-Employment: Schools need to ensure they are completing the relevant self-employment and IR35 HMRC checks prior to employing self-employed individuals, to ensure compliance with HMRC regulations;
 - Payroll: Payroll details of the person checking the monthly payroll report should be subject to independent verification, to mitigate the risk of fraud;
 - Charging Policy: the threshold above which refunds will be given needs to be decided and added to the Policy.
- 2.4 During 2017/18 the service delivered 21 Health Checks, one being to an out of borough school, generating total revenue in year of £17,250.
- 2.5 The Schools Financial Value Standard (SFVS) is designed to assist schools in managing their finances and to give assurance that they have secure financial management in place. As Governing bodies have formal responsibility for the financial management of their schools, the standard is aimed primarily at governors. The SFVS returns are used to inform the risk based internal audit programme. All schools within Havering completed and submitted their copies of the SFVS to the LA within the agreed timescales.

3. Counter Fraud

Corporate Fraud

3.1 The Council has a zero tolerance approach to fraud and the work of the Fraud Team supports this priority.

3.2 The team offers both a criminal, proactive and reactive support service.

Housing Fraud

3.3 The Proactive Tenancy project saw the recovery of 31 properties and cancelled 23 Right to Buy applications, ensuring Havering's houses were allocated to those with genuine entitlement.

3.4 During the year the team have:

- Undertaken 5,897 tenancy visits and completed 1,782 audit checks.
- Undertaken 2,973 Private Sector Landlord (PSL) tenancy visits and completed 535 audit checks.

Asylum and Immigration Fraud

3.5 The Council is at risk of incurring a fine of up to £20,000 for every person who is employed with no right to work, in addition to them taking a job that should have gone to someone else. Whilst there were no cases identified in 2017/18, we are continuing to strengthen the vetting process, in partnership with HR, via progressing the implementation of chip scanning of all identify documents in 2017/18.

4. Risk Management Arrangements

4.1 Risk management arrangements, specifically the support provided by the oneSource Assurance function, are currently being reviewed to ensure that the delivery model provides the most effective service to the Council. The Audit Committee will be informed in future meetings of developments in this area.

5. Governance Arrangements

5.1 There is an established officer Governance and Assurance Board at LB Havering, which the Head of Assurance attends. The work of Internal Audit informs this group and issues brought to the group and identified in the Annual Governance Statement (AGS), inform the annual audit plan. Governance arrangements are routinely considered as part of all internal audit reviews.

Audit Committee

5.2 The Audit Committee has had a pivotal role in ensuring the risk management, governance and internal control environment is adequately robust.

Appendix A – Audit work undertaken during 2017/18

| | AUDIT TITLE | OPINION |
|--------------------------|---|----------------|
| PRIOR YEAR AUDITS | One Oracle | MODERATE |
| | Contract Monitoring – Environment | SUBSTANTIAL |
| | Declarations of Interest | MODERATE |
| | Disaster Recovery Follow Up | SUBSTANTIAL |
| | Grants to Voluntary Organisations | SUBSTANTIAL |
| | Change Management | SUBSTANTIAL |
| | BACS Transmission | SUBSTANTIAL |
| | Children’s Commissioning | SUBSTANTIAL |
| | One Oracle Interfaces | SUBSTANTIAL |
| LBH SYSTEM AUDITS | Fairkytes | SUBSTANTIAL |
| | Troubled Families Programme (Sept’ Oct’ & March Claim) | SUBSTANTIAL |
| | Client Finance deputyship and appointeeship | SUBSTANTIAL |
| | Homelessness - Housing Tenancy Arrangements | SUBSTANTIAL |
| | Land of the Fanns – Initial Grant Arrangements Review | N/A - GRANT |
| | Mayor’s Appeal Fund – Annual Grant Review | N/A - GRANT |
| | Housing Benefit - new claims or change in circumstances | SUBSTANTIAL |
| | NNDR – Billing and Collection | SUBSTANTIAL |
| | Accounts payable service payments teams in directorates | SUBSTANTIAL |
| | Gifts and Hospitality (Corporate Culture) | SUBSTANTIAL |
| | Offsite Storage Follow up | SUBSTANTIAL |
| | No Recourse to Public Funds (NRPF) | LIMITED |
| | Private Sector Leasing - Liberty Housing | MODERATE |
| | Care Act 2014 – Safeguarding | SUBSTANTIAL |
| | Project and Programme Governance Review | LIMITED |
| | Procurement inc. compliance with public contract regulations 2015 | N/A – ADVISORY |
| | Information Governance/ Data Protection - GDPR | N/A – ADVISORY |
| | Off-Payroll Engagement (IR35) | N/A - ADVISORY |
| ONESOURCE | Enforcement Agents | SUBSTANTIAL |
| | Debt recovery | SUBSTANTIAL |
| | Cyber Security | TBC |
| | Security over data warehouse | SUBSTANTIAL |
| | Budget Monitoring / Savings Programme | SUBSTANTIAL |
| SCHOOLS | St Alban's RC Primary | SUBSTANTIAL |
| | St Mary's RC Primary | MODERATE |
| | Crownfield Infants | MODERATE |
| | Squirrels Heath Infants | MODERATE |
| | Parklands Junior (Additional Task) | MODERATE |
| | St Edwards Primary (Additional Task) | SUBSTANTIAL |
| | Gidea Park | SUBSTANTIAL |
| | Towers Junior | MODERATE |
| | Squirrels Heath Junior | MODERATE |

Audit Committee, 30 July 2018

| | | |
|--|------------------------------------|--------------|
| | Harold Court Primary | MODERATE |
| | Branfil Primary | SUBSTANTIAL |
| | Crownfield Juniors | MODERATE |
| | Engayne Primary | SUBSTANTIAL |
| | Elm Park Primary (Additional Task) | MODERATE |
| | Health Checks (21) | x21 COMPLETE |

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AUDIT COMMITTEE

| | |
|---|---|
| Subject Heading: | Head of Assurance – Quarter Four Progress Report 2017/18 |
| SLT Lead: | Sean Harriss Interim Chief Executive, oneSource |
| Report Author and contact details: | Jeremy Welburn Head of Assurance. Tel: 01708 432610 / 07976539248 E-mail: jeremy.welburn@onesource.co.uk |
| Policy context: | To inform the Committee of progress on the assurance work undertaken in quarter four of 2017/18. |
| Financial summary: | There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised |

The subject matter of this report deals with the following Council Objectives

| | |
|-------------------------------|-----|
| Communities making Havering | [X] |
| Places making Havering | [X] |
| Opportunities making Havering | [X] |
| Connections making Havering | [X] |

SUMMARY

This report advises the Committee on the work undertaken by the Assurance Service (internal audit & counter fraud) during quarter four of 2017/18.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

This progress report contains an update to the Committee regarding Internal Audit and Counter Fraud activity. The report is presented in three sections:

- Section 1** Introduction, Issues and Assurance Opinion
- Section 2** Executive Summary: A summary of the key messages from quarter four.
- Section 3 Appendices:** Provide supporting detail for Members' information
- Appendix A:** Detail of quarter four Internal Audit work
- Appendix B:** Limited Assurance Report Summaries
- Appendix C:** Detail of quarter four Counter Fraud work
- Appendix D:** Current status of 2017/18 audit plan

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

By maintaining an adequate internal audit service, management are supported in the effective identification and efficient management of risks and ultimately good governance. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obliged to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. Such failures may result in financial losses for the Council.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.

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Section 3

Appendix A

3. Quarter Four- Internal Audit Work

3.1 Audit Progress

3.1.1 The Annual Audit Plan, approved by the Audit Committee in May 2017, comprised 48 audit reviews. Adjustments were made throughout the year (see Table below); therefore the total number of audit reviews for 2017/18 is 46.

3.1.2 Current, cumulative progress toward delivery of the 2017/18 audit plan (including audits carried forward from 2016/17, but excluding School Health Checks) is summarised in the table below, with further detail provided in Appendix D. It should be noted that some of the work undertaken by internal audit does not result in an opinion being provided, such as advisory reviews and grant claims.

| Audit Plan Status | Number of Audits / Tasks |
|--|--------------------------|
| Approved Audit Plan 2017/18 | 48 |
| 2016/17 Audit tasks brought forward to 2017/18 | 9 |
| Audit tasks added to the Plan | 7 |
| Audit tasks cancelled | (6) |
| Audit tasks postponed/deferred to 2018/19 | (12) |
| Audits completed | 46 |
| | |
| Final reports issued / completed | 42 |
| Draft reports issued | 4 |
| Total | 46 |

3.2 Risk Based Systems and School Audits

3.2.1 The table below details the results of the final reports issued in quarter four.

| Report | Assurance | Recommendations | | | |
|---|-------------|-----------------|-----|-----|-------|
| | | High | Med | Low | Total |
| System Audits | | | | | |
| Troubled Families* (17/18 Claim 3) | Substantial | 0 | 0 | 0 | 0 |
| Housing Benefit – new claims or change in circumstance | Substantial | 0 | 0 | 0 | 0 |
| Private Sector Leasing – Liberty Housing | Moderate | 1 | 4 | 0 | 5 |
| Care Act 2014 – Safeguarding | Substantial | 0 | 0 | 1 | 1 |
| Project & Programme Governance | Limited | 6 | 0 | 0 | 6 |
| Accounts payable service payments teams in directorates | Substantial | 0 | 3 | 2 | 5 |
| Gifts and Hospitality | Substantial | 0 | 4 | 2 | 6 |
| No recourse to public funds (NRPF) | Limited | 5 | 0 | 0 | 5 |
| NNDR – Billing and Collection | Substantial | 0 | 4 | 0 | 4 |

| Report | Assurance | Recommendations | | | |
|--------------------------------|-------------|-----------------|-----------|-----------|------------|
| | | High | Med | Low | Total |
| oneSource System Audits | | | | | |
| Offsite storage Follow Up | Substantial | 0 | 0 | 0 | 0 |
| Enforcement Agents | Substantial | 0 | 3 | 0 | 3 |
| Security over data warehouse | Substantial | 0 | 2 | 3 | 5 |
| Debt Recovery | Substantial | 0 | 3 | 0 | 3 |
| Budget Monitoring | Substantial | 0 | 0 | 0 | 0 |
| System Audits Total | | 12 | 23 | 8 | 43 |
| School Audits | | | | | |
| Branfil Primary | Substantial | 0 | 2 | 0 | 2 |
| Crownfield Juniors | Moderate | 1 | 5 | 2 | 8 |
| Engayne Primary | Substantial | 0 | 1 | 1 | 2 |
| Gidea Park | Substantial | 0 | 4 | 0 | 4 |
| Harold Court Primary | Moderate | 0 | 7 | 1 | 8 |
| Squirrels Heath Juniors | Moderate | 0 | 6 | 4 | 10 |
| Towers Juniors | Moderate | 1 | 7 | 1 | 9 |
| St Edwards Primary | Substantial | 0 | 3 | 2 | 5 |
| Parklands Juniors | Moderate | 0 | 6 | 3 | 9 |
| Elm Park Primary | Moderate | 0 | 7 | 2 | 9 |
| Schools Total | | 2 | 48 | 16 | 66 |
| Q4 Audits Total | | 14 | 71 | 24 | 109 |

*A report is issued for each claim window but is classed as one task within the audit plan

| Key to Assurance Levels | |
|-------------------------|--|
| Substantial Assurance | There is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives. |
| Moderate Assurance | Whilst there is basically a sound system of control within the areas reviewed, weaknesses were identified and therefore there is a need to enhance controls and/or their application and to improve the arrangements for managing risks. |
| Limited Assurance | There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level. |

3.2.2 During quarter four, 16 school health checks were completed.

3.3 Outstanding Audit Recommendations Update

3.3.1 Internal Audit follows up all audit recommendations with management when the deadlines for implementation are due. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations, in systems where limited assurance was provided, is verified through a follow up audit review.

3.3.2 This work is of high importance given that the Council’s risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee’s role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high risk recommendations.

3.3.3 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

| | |
|---------|---|
| High: | Fundamental control requirement needing implementation as soon as possible. |
| Medium: | Important control that should be implemented |
| Low: | Pertaining to best practice. |

3.3.4 The table below summarises the number of recommendations arising from reports issued in quarter four. This table does not include schools, as these are set out below in section 3.4.

| System Audit recommendations | High | Med | Low | Total |
|---|-------------|------------|------------|--------------|
| No. of Recs raised in Q4 | 12 | 20 | 8 | 40 |
| Outstanding Recs brought forward from previous quarters | 2 | 9 | 1 | 11 |
| Total | 14 | 29 | 9 | 52 |
| Recommendations due to be implemented by 31/05/18 | 2 | 10 | 1 | 13 |
| Fully Implemented | 2 | 10 | 1 | 13 |
| Partially Implemented | 0 | 0 | 0 | 0 |
| Not Implemented | 0 | 0 | 0 | 0 |

3.3.5 All recommendations that became due in quarter four have been followed up and have been implemented.

3.4 Outstanding School Audit Recommendations Update

3.4.1 The table below summarises the recommendations raised for school audits during quarter 4:

| School Audit Recommendations | High | Medium | Low | Total |
|---|-------------|---------------|------------|--------------|
| No. of Recs raised in Q4 | 2 | 48 | 16 | 66 |
| Outstanding Recs brought forward from previous quarters | 1 | 3 | 5 | 9 |
| TOTAL | 3 | 51 | 21 | 75 |
| Recommendations due to be implemented by 31/05/18 | 2 | 5 | 2 | 9 |
| Fully Implemented | 2 | 3 | 0 | 5 |
| Partially Implemented | 0 | 0 | 0 | 0 |
| Not Implemented | 0 | 2 | 2 | 4 |

Appendix B

4. Limited Assurance Report Summaries

4.1 Project and Programme Governance

- 4.1.1 A number of large-scale / complex projects are planned / underway within Havering to regenerate the community and develop the economy of the Borough.
- 4.1.2 Clear and formal expectations in relation to Project / Programme Governance and Management have not been established by the Authority and, as a result, all projects / programmes are being managed within the skill set of the individual service.
- 4.1.3 Aspects of expected governance arrangements have been established corporately in the form of the Council's Constitution, which establishes the Executive Decision making process. However, this guidance sits alone and is not part of an overarching framework in relation to projects / programmes governance or management.
- 4.1.4 Advice and guidance from specialist departments that have a greater understanding of legislative and local expectations is available, but is ultimately reliant on the service to engage this support.
- 4.1.5 Limited support is available in relation to project governance arrangements. The Corporate Project Management Office (PMO) provides recommended advice in the Project and Programme Management Handbook, along with templates for key documents. However, users are not required to use these templates, or follow the advice set out in the Handbook. Project tolerances and exception reporting standards are not defined. Additionally, signposting to these documents is limited, and relies on staff seeking out this information or being signposted to it by another member of staff.
- 4.1.6 There are no formal requirements regarding project boards, including board composition and remit. Where there are boards in place for projects, the effectiveness of these cannot be determined without clearly defined standards and governance arrangements.
- 4.1.7 Work is underway centrally to develop a Project Governance Framework which will include collaborative working with various departments to ensure that Council and Legislative requirements are included.
- 4.1.8 The Council established a PMO in 2017. The team is relatively small, consisting of six members of staff, of which three are on fixed term contracts that expire between June and November 2018 and two are agency members of staff. The PMO Manager is seconded to the team until December 2018. Whilst the PMO are ideally placed to provide a source of monitoring, challenge and enforcement, the current mandate of the PMO is to provide advice and guidance only.
- 4.1.9 In addition to the support role, the PMO has implemented Execview, a project management software tool, used to identify, record and monitor various aspects of a project. At the time of this review approximately 330 programmes / projects from

across the Council, including oneSource, were recorded on Execview. The software allows documents to be uploaded in support of project details from initiation through to benefits realisation. The full functionality of this software is not currently being utilised. Whilst the software has been embedded as the business as usual process for project management across the Council, there is evidence to support that there are programmes / projects that have not been recorded on Execview

4.1.10 Discussions were held to understand how services such as Finance feed into the planning and delivery of projects / programmes. These discussions highlighted that there is no formal process to ensure specialist services are involved at key stages of the project / programme. With the exception of signing off Cabinet reports prior to submission, services are reliant on being engaged. Without specialist input, there is little opportunity to challenge key those aspects of the project, such as the financial arrangements, and to ensure all necessary elements of the project comply with both legislative and local requirements.

4.1.11 Outside of the existing processes, such as the Executive Decision making process, there is no consistent recording of any further decisions made. This lack of transparency impacts on the understanding of decisions made and can led to confusion, evidenced through discussions during this review as to the funding of existing projects. Given the length of time projects can span, a clear record of decisions made is necessary not only to ensure accountability, but for continuity and to avoid placing reliance on officers knowledge, which can be lost when changes to staff occur.

4.1.12 The Corporate Risk Register references failure of alternative service delivery models, but does not specify major projects or the joint ventures. There is potential for significant risks associated with major projects / programmes of work to materialise and impact on the Council as a whole, and whilst risks are monitored through Execview, there is no mechanism in place to feed these risks into the Council's Corporate Risk Register.

4.1.13 This audit makes six high priority recommendations that relate to the need for:

- A Programme / Project Governance Framework, that sets out the Councils requirements, dependent on the risk / financial impact of the project, from initiation through to completion to be developed and embedded across the Council. This framework should engage all relevant services to ensure it allows all aspects of projects to comply with the relevant legislative requirements;
- The Programme / Project Governance Framework to set out requirements in relation to the setting up of project boards, including frequency of meetings, adequate composition of board members to ensure boards contain individuals with the required skill set and the need for meetings / decisions to be clearly minuted;
- A decision with regard to the future direction of the PMO to be made. At the same time, it would be prudent to consider the existing mandate of the PMO and the potential transition from a "light touch" support position to a source of challenge and assurance;
- In order to ensure all projects are centrally recorded, a clear message that Execview is the Councils "business as usual" system for project management to

be issued. Implementation of this should be supported by adequate communication to staff and signposting to Execview;

- All key business areas, such as Finance, Procurement and Democratic Services to feed into a project should be established. This process should provide a robust mechanism for ensuring proposed financial arrangements to fund the project are appropriate prior to submission to Cabinet and that the project considers requirements in relation to key areas such as the Executive Decision making process and procurement; and
- The risks associated with projects to be identified as part of the business case approval process and monitored through the project board process. Significant risks should be escalated for consideration in the Council's Corporate Risk Register.

4.1.14 Management agreed to implement all of the recommendations raised in this report and action is underway to address the issues identified.

4.2 No Recourse to Public Funds (NRPF)

4.2.1 The NRPF Network, Practical Guidance for Local Authorities states that Local authorities have a duty to safeguard and promote the welfare of children in need within their jurisdiction. The Council has a duty where a need for support has been identified and verified, including families not entitled to access public funds because of their immigration status.

4.2.2 Prior to October 2016 these cases were managed by a dedicated NRPF Team. When this team was disbanded, responsibility for gathering information on the number of families supported had not been assigned. The Business Support Team, within Children's Services, has now been tasked with collating this information.

4.2.3 This review has established that there is no clear process in place for managing NRPF cases within the Council. Policies or procedures in regards to NRPF could not be located during the audit.

4.2.4 For 2017/18 a budget of £260k for NRPF was set up under the Section 17 Cost Centre. As at the end of March 2018, £170k had been spent on NRPF support

4.2.5 Based on the information provided by the Business Support Team, as of April 2018 Havering Council was supporting 15 families (32 children) under the NRPF criteria. However, a report run from CCM, in May 2018, of all open and closed cases with a case status of NRPF identified one case.

4.2.6 Without clear records there is a risk that cases are being supported by departments, such as Children in Need, under Section 17 of the Children's Act 1980, but are not visible as an NRPF case. The impact is the risk that cases are not being consistently assessed and that families are receiving support they are not entitled to or are no longer eligible for.

4.2.7 There is also a risk that the cost of supporting these cases is being integrated within the departmental core budgets, resulting in unnecessary budget pressures. The lack of transparency in regards to NRPF cases may result in the drivers of budget pressures being unknown.

- 4.2.8 Benchmarking would allow the borough to assess the potential number of NRPF cases it could be expected to support, however no benchmarking has been undertaken. Data easily available to Internal Audit through the oneSource partnership found that as at April 2018 the London Borough of Newham was supporting 94 families under NRPF whilst the London Borough of Bexley was supporting 80 families. These figures would indicate that Havering is providing support to a relatively low number of families under NRPF.
- 4.2.9 The lack of processes, procedures and controls regarding NRPF, coupled with the results of testing undertaken and the difficulties experienced during the audit is sufficient to indicate that the data supplied in regards to NRPF cases is unreliable.
- 4.2.10 Discussions have failed to identify whether the Council has a statutory obligation to submit annual data returns regarding NRPF cases. The lack of controls in place to manage and monitor NRPF cases would impact on the accuracy of data gathered for reporting purposes.
- 4.2.11 Ultimately a lack of control within NRPF, increases the risk of fraudulent claimants and the potential for financial loss to the Borough, as experienced by other Local Authorities.
- 4.2.12 This audit makes five high priority recommendations that relate to the need for:
- The process for assessing, recording and managing NRPF cases to be established and documented. This process should clearly define responsibilities regarding ownership and oversight of NRPF. Documented policies and procedures should be produced to support the process and staff training should be provided where necessary;
 - A data cleansing exercise to be undertaken to ensure that all NRPF cases are correctly recorded as such within existing systems, including the use of NRPF as a case status within the CCM system;
 - A review to be undertaken on existing NRPF cases, to determine where expenditure is being coded, to ensure that costs are being correctly coded to NRPF and not consumed within existing service budgets;
 - All existing NRPF cases to be assessed to ensure that they are still eligible for support; and
 - Action to be taken to establish whether the Council has any statutory obligations in regards to NRPF, such as the submission of periodic data returns. Responsibility for meeting any obligations identified should be clearly assigned.
- 4.2.13 Management agreed all recommendations raised in this report and action is underway to address the issues identified.

Appendix C

5. Quarter Four - Counter Fraud Audit Work

5.1 Proactive Counter Fraud Investigations

5.1.1 Proactive work undertaken during quarter three is shown below:

| Description | Risks | Quarter 4 Status |
|-----------------------------------|--|------------------|
| Advice to Directorates | General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance. Ten requests for advice were received during the quarter. | Ongoing |
| Advice to Other Local Authorities | All Data Protection Act requests via Local Authorities, Police etc. Two requests for advice were received during the quarter. | Ongoing |
| Fraud Hotline | To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately. Four referrals were received during the quarter. | Ongoing |

5.2 Reactive Investigation Cases

5.2.1 During quarter four one referral was received which is currently being investigated.

5.3 Tenancy Fraud Project

5.3.1 The tables below show the work undertaken on the Tenancy Fraud Project during quarter four.

| Housing Investigations | | | | | | |
|------------------------|----------------------|-----------------------------------|--------------------------|--------------------------------------|-------------------------------|-------|
| Month | Tenancy Audit Visits | Tenancy Audits (Checks completed) | PSL Tenancy Audit Visits | PSL Tenancy Audit (Checks completed) | Referrals from Audit to Fraud | NFA'D |
| Jan | 345 | 86 | 111 | 23 | 7 | 79 |
| Feb | 485 | 154 | 104 | 22 | 6 | 148 |
| Mar | 282 | 59 | 68 | 13 | 9 | 50 |
| YTD | 5,897 | 1,782 | 2,973 | 535 | 86 | 1,696 |

| Internal Audit | | | | | |
|----------------|--|--------|----------------------------|-----------------------------|------------------------------|
| Month | Cases Under Investigation (open cases) | Closed | Total Properties Recovered | Cases referred for HB Fraud | RTB cancelled through audits |
| Jan | 87 | 5 | 4 | 2 | 2 |
| Feb | 81 | 3 | 4 | 1 | 2 |
| Mar | 82 | 8 | 2 | 1 | 1 |
| YTD | | 91 | 31 | 15 | 23 |

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5.3.2 The total net savings (minus project costs) for the project from October 2015 to March 2018 is £6.62m. The breakdown for each year is below.

- April 2017 to March 2018 - £2.61m
- April 2016 to March 2017 - £2.54m
- October 2015 to March 2016 - £1.47m

5.3.3 Outcomes for the quarter include the following:

- Ten properties were recovered with a nominal value of £180,000;
- Five Right to Buy applications were withdrawn with a notional value of £434,949; and
- Two Homelessness Duty Refusals totalling £36,000 (Based on an estimated cost of £18,000 for the Council paying for homelessness subject to secure a homelessness duty).

Appendix D: End of year status of 2017/18 Audit Plan

| | AUDIT TITLE | STATUS | OPINION |
|-------------------------------|---|----------------|----------------|
| PRIOR YEAR AUDITS | One Oracle | COMPLETE | MODERATE |
| | Contract Monitoring – Environment | COMPLETE | SUBSTANTIAL |
| | Declarations of Interest | COMPLETE | MODERATE |
| | Disaster Recovery Follow Up | COMPLETE | SUBSTANTIAL |
| | Grants to Voluntary Organisations | COMPLETE | SUBSTANTIAL |
| | Change Management | COMPLETE | SUBSTANTIAL |
| | BACS Transmission | COMPLETE | SUBSTANTIAL |
| | Children’s Commissioning | COMPLETE | SUBSTANTIAL |
| | One Oracle Interfaces | COMPLETE | SUBSTANTIAL |
| LBH SYSTEM AUDITS | Fairkytes | COMPLETE | SUBSTANTIAL |
| | Troubled Families Programme (Sept’ Oct’ & March Claim) | COMPLETE | SUBSTANTIAL |
| | Client Finance deputyship and appointeeship | COMPLETE | SUBSTANTIAL |
| | Homelessness - Housing Tenancy Arrangements | COMPLETE | SUBSTANTIAL |
| | Land of the Fanns – Initial Grant Arrangements Review (Additional Task) | COMPLETE | N/A - GRANT |
| | Mayor’s Appeal Fund – Annual Grant Review (Additional Task) | COMPLETE | N/A - GRANT |
| | Housing Benefit - new claims or change in circumstances | COMPLETE | SUBSTANTIAL |
| | NNDR – Billing and Collection (Additional Task) | COMPLETE | SUBSTANTIAL |
| | Accounts payable service payments teams in directorates | COMPLETE | SUBSTANTIAL |
| | Gifts and Hospitality (Corporate Culture) | COMPLETE | SUBSTANTIAL |
| | Offsite Storage Follow up (Additional Task) | COMPLETE | SUBSTANTIAL |
| | No Recourse to Public Funds (NRPF) | COMPLETE | LIMITED |
| | Private Sector Leasing - Liberty Housing | COMPLETE | MODERATE |
| | Care Act 2014 – Safeguarding | COMPLETE | SUBSTANTIAL |
| | Project and Programme Governance Review (previously called Alternative Delivery Models) | COMPLETE | LIMITED |
| | Procurement including compliance with public contract regulations 2015 | COMPLETE | N/A - ADVISORY |
| | Information Governance/ Data Protection - GDPR | COMPLETE | N/A - ADVISORY |
| Off-Payroll Engagement (IR35) | COMPLETE | N/A - ADVISORY | |
| ONESOURCE | Enforcement Agents | COMPLETE | SUBSTANTIAL |
| | Debt recovery | COMPLETE | SUBSTANTIAL |
| | Cyber Security | COMPLETE | TBC |
| | Security over data warehouse | COMPLETE | SUBSTANTIAL |
| | Budget Monitoring/ Savings Programme | COMPLETE | SUBSTANTIAL |

Audit Committee, 30 July 2018

| | | | |
|---------|--------------------------------------|----------|--------------------------|
| SCHOOLS | St Alban's RC Primary | COMPLETE | SUBSTANTIAL |
| | St Mary's RC Primary | COMPLETE | MODERATE |
| | Crownfield Infants | COMPLETE | MODERATE |
| | Squirrels Heath Infants | COMPLETE | MODERATE |
| | Parklands Junior (Additional Task) | COMPLETE | MODERATE |
| | St Edwards Primary (Additional Task) | COMPLETE | SUBSTANTIAL |
| | Gidea Park | COMPLETE | SUBSTANTIAL |
| | Towers Junior | COMPLETE | MODERATE |
| | Squirrels Heath Junior | COMPLETE | MODERATE |
| | Harold Court Primary | COMPLETE | MODERATE |
| | Branfil Primary | COMPLETE | SUBSTANTIAL |
| | Crownfield Juniors | COMPLETE | MODERATE |
| | Engayne Primary | COMPLETE | SUBSTANTIAL |
| | Elm Park Primary (Additional Task) | COMPLETE | MODERATE |
| | Health Checks (21) | COMPLETE | X21 FINAL REPORTS ISSUED |

Status of 2017/18 Audit Plan – Audits moved or cancelled

| | AUDIT TITLE | STATUS |
|-------------------|---|--|
| LBH SYSTEM AUDITS | Reablement Services | MOVE TO 18/19 – service request |
| | Care Packages | MOVE TO 18/19 – service request |
| | Health and Social Care Integration - Hospital Discharges | MOVE TO 18/19 – service request |
| | Compliance with new Report Approval Processes | MOVE TO 18/19 – New process not yet implemented. |
| | Children's disability service | MOVE TO 18/19 – Terms of Reference issued April 2018 |
| | Contract Management: Checking of contractor works | MOVE TO 18/19 – agreement with service to link in with other work |
| | Housing and Planning Act 2016 | DEFERRED – now included in 18/19 plan |
| SCHOOLS | Scargill Infant (replaced by Parklands Junior) | CANCELLED – converted to Academy September 2017 |
| | Whybridge Junior (replaced by St Edwards Primary) | CANCELLED – converted to Academy September 2017 |
| ONESOURCE | 1Oracle follow up | CANCELLED – previous audit was not limited. |
| | Serious and Organised Crime | CANCELLED - proactive workload in 17/18 |
| | Northgate (Revs and Bens) Application Review | CANCELLED – LB Newham only |
| | Paris Applications | MOVE to 18/19 – to be included within transactional service review |
| | Establishment Controls | CANCELLED – following risk assessment |
| | Pension fund governance | MOVE TO 18/19 – service request |
| | NNDR - debt recovery & write offs (Replaced by NNDR – Billing & Collection) | MOVE TO 18/19 – service request |
| | Staff Vetting | DEFERRED – now included in 18/19 plan |
| | Treasury Management | MOVE TO 18/19 – service request |

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AUDIT COMMITTEE, 30 JULY 2018

| | |
|---|--|
| Subject Heading: | Proposed Work Programme for the Audit Committee for the 2018-19 Municipal Year |
| SLT Lead: | Daniel Fenwick, Head of Legal and Governance |
| Report Author and contact details: | Victoria Freeman Democratic Services officer 01708 433682 <u>Victoria.freeman@onesource.co.uk</u> |
| Policy context: | The document attached suggests the work of the Committee for the 2018/19 municipal year. |
| Financial summary: | No impact of presenting of information itself. |

The subject matter of this report deals with the following Council Objectives

| | |
|-------------------------------|-----|
| Communities making Havering | x[] |
| Places making Havering | x[] |
| Opportunities making Havering | x[] |
| Connections making Havering | x[] |

SUMMARY

The Forward Plan (appendix A) provides a summary of the expected agenda items for the planned Audit Committee Meetings during the 2018-19 municipal year.

RECOMMENDATIONS

1. To comment on the forward plan within the report.
2. To approve the forward plan, subject to any comments made.

REPORT DETAIL

1. The Audit Committee has been in place for a number of years. The Committee's terms of reference list the responsibilities and authorities delegated in the Council's Constitution, which comprise:
 - To consider and monitor the Authority's risk management and internal control environment;
 - To focus audit resources;
 - To receive and approve the Annual Statement of Accounts;
 - To monitor performance of internal and external audit; and
 - To monitor proactive fraud and corruption arrangements.
2. The Audit Committee is currently planned to meet on four occasions during the current municipal year. There are specific reports planned throughout the year, running through a mix of quarterly progress reports and annual reviews of specific strategies and policies within the remit of the Committee, together with reports from the Council's external auditor. The Audit Committee will often also add an item to their agenda relating to follow up of a specific issue.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications arising from the agreement of the forward plan.

The existence of an effective Audit Committee is fundamental in ensuring the Council maintains a robust system of internal control. Failure of the Audit Committee to undertake its duties in an effective manner may result in issues that arise not being addressed. Agendas not being well planned could hinder the effectiveness of the Committee.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.

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AUDIT COMMITTEE – FORWARD PLAN

| FORWARD PLAN | AGENDA ITEM |
|---------------------|---|
| July 2018 | <ul style="list-style-type: none"> • Annual Treasury Management Report 2017/18 • Annual Statement of Accounts 2017/18 to those charged with Governance • Head of Assurance – Q4 Progress Report 2017/18 • Head of Assurance Report 2017/18 • Annual Governance Statement 2017/18 |
| October 2018 | <ul style="list-style-type: none"> • 2017/18 Annual Audit Letter • 6 Month Review of Risk Management • Assurance Progress Report Q1 • Treasury Management Quarter 1 Update |
| January 2019 | <ul style="list-style-type: none"> • External Audit Plan 2019/20 for London Borough of Havering and Havering Pension Fund • Governance Update • 17/18 Grants Certification Report • Assurance Progress Report Q2 • Draft Treasury Management Strategy Report 19/20 • Treasury Management Mid-Year Report • Accounting policies 2018/19 • Closure of Accounts Timetable 2018/19 • 2019/20 Internal Audit Plan, Strategy and Charter |
| April 2019 | <ul style="list-style-type: none"> • Audit Committee – Annual Report 2018/19 • Assurance Progress Report Q3 • Member training plan |

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