



# Havering

LONDON BOROUGH

## AUDIT COMMITTEE AGENDA

<b>7.00 pm</b>	<b>Wednesday 23 October 2019</b>	<b>Town Hall, Main Road, Romford</b>
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Members 6: Quorum 3

**COUNCILLORS:**

**Conservative Group  
( 3)**

**Residents' Group  
( 1)**

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

**North Havering  
Residents Group (1)**

Viddy Persaud (Vice-  
Chair)  
Roger Ramsey  
Judith Holt

Gerry O'Sullivan

Gillian Ford

Martin Goode  
(Chairman)

**For information about the meeting please contact:  
Luke Phimister 01708 434619  
luke.phimister@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 - 4)

To approve as correct the minutes of the meeting held on 21 June 2011 and authorise the Chairman to sign them.

### 5 ASSURANCE PROGRESS REPORT Q1 AND Q2 (Pages 5 - 14)

### 6 GOVERNANCE AND RISK UPDATE (Pages 15 - 22)

**Andrew Beesley**  
**Committee Administration**  
**Manager**

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
Committee Room 3B - Town Hall  
5 September 2019 (7.00 - 8.20 pm)**

**Present:**

**COUNCILLORS:**

<b>Conservative Group</b>	Viddy Persaud (Vice-Chair), Roger Ramsey and Judith Holt
<b>Residents' Group</b>	Gerry O'Sullivan
<b>Upminster &amp; Cranham Residents' Group</b>	Gillian Ford
<b>North Havering Residents Group</b>	Martin Goode (in the Chair)

Unless otherwise indicated all decisions were agreed with no vote against.

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

**30 MINUTES OF THE MEETING**

The minutes of the meeting of the Committee held on 24 April 2019 were agreed as a correct record and signed by the Chairman.

**31 TREASURY MANAGEMENT ANNUAL REPORT 2018/19**

Investment income for the year was £2m compared to a budget of £1.5m. It was also noted that the Authority's weighted average return outperformed that of the treasury adviser's London Local Authority Group and that the Council had operated during 2018/19 within the treasury limits and prudential indicators set out in the Strategy. Any credit losses from the introduction of International Financial Reporting Standard 9 were not material as the Authority's investments were placed with highly credit worthy institutions and Local Authorities.

Officers would check if the downgrading of Rabobank had been applied by all three credit reference agencies.

The Committee noted the report.

32 **ANNUAL STATEMENT OF ACCOUNTS 2018/19 AND EXTERNAL AUDIT REPORT TO THOSE CHARGED WITH GOVERNANCE (ISO 260)**

Annual Statement of Accounts

The report presented showed the changes between the accounts on 31 May 2019 and the current position. If the Committee was content with accounts, it was proposed to sign off the accounts in the week commencing 16 September 2019. The initial version of the accounts had been published on-line by 31 May in line with Government requirements.

A total of 12 adjustments had been made to the accounts, including 10 revaluation adjustments, impact on the actuary estimate due to the McLeod judgement and an adjustment for the Council bad debt provision.

The Statement of Accounts showed that the Council had a usable reserve of £219m and an unusable reserve arising from valuation changes etc of £435m. The unusable reserve figure had fallen by £100m due to changes in the pension fund valuation and £25m due to the property valuation.

It was noted that the total income and expenditure figure quoted of £125m was an accounting figure rather than the actual budgeted costs and that liabilities with actuaries had increased. A review of the pension fund that was currently in progress would decide if the Council was making sufficient contributions to the fund. It was also noted that the pension account was a separate entity to the main accounts.

Officers agreed that there needed to be better communication between regeneration and finance regarding the treatment of issues such as demolished assets. As regards school valuations, the accounts indicated that £51m of the £125m reduction had been due to schools converting to Academy status. It was suggested that work on valuations could be completed at an earlier stage, without needing to wait for the closure of accounts. There were now fewer differences in the valuation methodologies used by the Council and the external auditors.

It was noted that the reference in the 'Property, Plant & Equipment' section of the report to the length of the Queen's Theatre lease was incorrect and this would be amended to read 12 years.

It was **agreed** that a report on planning for next year's audit should be brought to the January 2020 meeting of the Committee.

External Audit Report

The only change in the scope of the audit had been to update the materiality assessment from £8.6m to £10.2m. There were still some areas of the audit to complete the journals and reserves areas of the accounts still required testing. It was also noted that it was difficult for the auditor to produce transaction level listings and this process would be streamlined for next year's audit.

The deadline of 13 September for submission of the Whole of Government (WGA) report would not be met but the Council was only required to e-mail a confirmation of this and would not be penalised. Some 40% of local government audits had not

been completed by 31 July, compared to 13% the previous year. The external auditor representative explained that delays were due principally to a loss of staff and recruitment difficulties. This was an issue across the auditing profession due to reductions in fees and further staff had been lost since the Committee had previously raised this issue. It was emphasised that the external auditors would not sign off the accounts until the necessary assurance could be given to the Committee.

Key risks identified in the audit included assessing fraud or error regarding the incorrect capitalisation of revenue expenditure but there were no concerns regarding the additions to property, plant and equipment. There had also not been any errors identified in the pension liability valuation. Work on the group financial statement was still to be concluded. An unqualified report of the audit was being proposed.

There were no risks to value for money issues and the auditors were happy with the Council's response to issues re property, plant and equipment that had been identified in the audit. An additional fee would be proposed by the auditors and the Chief Operating Officer would update the Committee on this.

#### Pension Fund Audit

The testing of investments on the pension fund audit was now complete and there were no further issues. There remained a small number of areas to complete as regards to disclosure testing. A small number of audit differences had also been corrected, none of which were significant.

There had not been any risks identified re fraud and error. Changes in the valuation of complex investments had been correctly reflected in the accounts. The draft audit report was expected to be unqualified. No independence issues had been identified re the pension work and no additional fee was proposed. Any final adjustments would be reflected in the version of the report that was due to be signed off on 16 September.

The Committee:

- a) **Considered the contents of the report and the Statement of Accounts (Appendix A to the report) , alongside the "External Audit Report to those charged with Governance" (Appendix B to the report) and the verbal updates by the External Auditor under that agenda item, following their examination of the Council's accounts.**
- b) **Noted that the audited accounts must be published at the earliest opportunity following the audit.**
- c) **Noted the amendments to the accounts arising from the audit of the accounts set out at section 1 of the Report.**
- d) **Approved the Statement of Accounts for the financial year ended 31st March 2019, having regard for the auditor's Report, subject to final sign off in the week commencing 16 September 2019.**
- e) **Agreed that the Chair of the Committee, in consultation with the Chief Operating Officer (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) **Approved the Letter of Representation (Appendix C to the report) subject to final sign-off in the week commencing 16 September 2019.**

### 33 **ASSURANCE END OF YEAR REPORT**

Officers explained that there were currently around 40 open fraud cases. An update on current joint fraud and audit work was requested to be given at the next meeting of the Committee. Some tasks on the systems audit list had been cancelled in order to avoid duplication if e.g. peer reviews were in progress from which similar assurance could be taken. These areas would continue to be monitored in any case.

The response to risk related to the GDPR Regulations was considered to be satisfactory and it was confirmed that an Assurance Board had been established. A wider review of the Direct Payments system was also in progress. A new social care IT system would give fuller reports once testing etc had been completed. Progress on the current procurement audit would be reported to a future meeting of the Committee.

It was agreed that future reports would show quarter dates and a list of completed audits.

The Committee noted the assurance end of year report.

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**Chairman**



## AUDIT COMMITTEE

<b>Subject Heading:</b>	Head of Assurance – Progress Report 1 <sup>st</sup> April – 31 <sup>st</sup> August 2019
<b>SLT Lead:</b>	Jane West Chief Operating Officer
<b>Report Author and contact details:</b>	Jeremy Welburn Head of Assurance Tel: 01708 432610 / 07976539248 E-mail: <a href="mailto:jeremy.welburn@onesource.co.uk">jeremy.welburn@onesource.co.uk</a>
<b>Policy context:</b>	To inform the Committee of progress on the assurance work during the period from 1 <sup>st</sup> April – 31 <sup>st</sup> August.
<b>Financial summary:</b>	There are no financial implications 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 and counter fraud) during the period from 1<sup>st</sup> April to 31<sup>st</sup> August 2019. This report is presented in three sections:

Section 1: Introduction, Issues and Assurance opinion

Section 2: Executive Summary – A summary of the key messages

Section 3: Appendices: Provide supporting detail for Member's information

**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**

**Section 1: Introduction, Issues and Assurance Opinion**

**1.1 Introduction**

1.1.1 The Accounts and Audit Regulations require 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) and other guidance.

1.1.2 Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a 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 policy or system owner/sponsor
- Third line – independent assurance.

The Council's third line of defence includes internal audit, which should provide independent assurance to senior management and the Audit Committee on how effectively the first and second lines of defence have been operating.

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

1.1.4 The work of internal audit is critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and forms the basis of the annual opinion provided by the Head of Assurance which contributes to the Annual Governance Statement. It can also perform a consultancy role to assist in identifying improvements to the organisation's practices.

- 1.1.5 This report brings together all aspects of internal audit and counter fraud work undertaken during the period from 1<sup>st</sup> April to 31<sup>st</sup> August 2019, in support of the Audit Committee's role.
- 1.1.6 The report supports the Head of Assurance's ongoing assurance opinion on the internal control environment and highlights key outcomes from internal audit and counter fraud work and provides information on wider issues of interest to the Council's Audit Committee. The Appendices provide specific detail of outputs for the Committee's information.

**Section 2. Executive Summary of work undertaken during the period from 1<sup>st</sup> April to 31<sup>st</sup> August 2019**

**2.1 Internal Audit**

- 2.1.1 There have been three final reports issued during this period. Of these reports, one was given a limited assurance and the other two were given moderate assurance. Appendix C shows the current position of the 2019/20 audit plan.
- 2.1.2 Three high risk recommendations were raised in these reports with further detail of these provided in Appendix A.

**2.2 Pro-Active and Counter Fraud**

- 2.2.1 The three referrals brought forward from 2018/19 have all been investigated. One referral has resulted in a criminal investigation and two referrals had no case to answer.
- 2.2.2 During 1st April to 31st August 2019 seven referrals were received. Of these four referrals are still being investigated, one referral there was no case to answer, one referral resulted in Standard Setting and one referral resulted in a contract being terminated.

**Section 3. Appendices: Provide supporting detail for Member's information**

- Appendix A: Detail of Internal Audit work to date  
Appendix B: Detail of Counter Fraud work  
Appendix C: Current status of 2019/20 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.

**Appendix A – Progress Report - Internal Audit Work**

**1. Audit Progress**

1.1 The Annual Audit Plan, approved by the Audit Committee in April 2019, comprised 700 audit days. The plan was developed using a thematic approach, in line with the Corporate Plan priorities for 2019/20 with time allocated under each theme to carry out risk identification and service mapping. Members are reminded that the 2019/20 audit plan was presented as a flexible plan, subject to review through the year to ensure that emerging risks are covered. Adjustments to the plan are made to allow for changes in the risk and operational environment in which the Council operates. These changes are outlined in Appendix C.

1.2 Current, cumulative progress toward delivery of the 2019/20 audit plan (excluding School Health Checks) is summarised in the table below, with further detail provided in Appendix C. 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.

<b>Audit Plan Status</b>	<b>Number of Audits / Tasks</b>
Final reports issued / Reviews Completed	3
Draft reports issued	6
In Progress	7

**2. Risk Based Systems and School Audits**

The table below details the results of the final reports issued from the 1st April to 31st August 2019. A summary of the Limited Assurance report and the recommendations raised is detailed in section 3.

<b>Report</b>	<b>Assurance</b>	<b>Recommendations</b>			
		<b>High</b>	<b>Med</b>	<b>Advisory</b>	<b>Total</b>
<b>System Audits</b>					
Payroll	Limited	3	3	0	6
Virus Protection	Moderate	0	6	0	6
<b>System Audits Total</b>		<b>3</b>	<b>9</b>	<b>0</b>	<b>12</b>
<b>School Audits</b>					
Suttons Primary	Moderate	0	3	0	3
<b>School Audits Total</b>		<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>
<b>Total</b>		<b>0</b>	<b>6</b>	<b>0</b>	<b>9</b>

<b>Key to Assurance Levels</b>	
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. Limited Assurance Report - Payroll**

- 3.1 The self-service model operated by both Councils places reliance on managers to ensure controls are applied as Payroll process requests received on the assumption that controls have been applied internally within the business. This review identified that responsibility for the application of controls has not been clearly communicated. A high priority recommendation has been raised to strengthen the control environment by communicating to Payroll customers their responsibilities in relation to the need to validate and approve payroll requests prior to submission.
- 3.2 The review also found that requests to Payroll are not consistently submitted through formal channels, where automated controls ensure only appropriate managers can submit requests, ensuring visibility of requests through the relevant management chain. A high priority recommendation has been raised to address this issue and ensure all appropriate requests are submitted via an approved route.
- 3.3 Exception reports are available within the Oracle system, but are not being produced and distributed. A high priority recommendation has been raised requesting the introduction of exception reporting and distribution to Managers to support them in the adhering to the self-service model.
- 3.4 Examples were identified during this review where managers have not complied with payroll deadlines, resulting in continued payment of salary to both employees and ex-employees and a need for a debtor account to be raised in order to recover the overpayment. A medium priority recommendation has been raised to increase the fees charged where non-compliance leads to the instigation of a debtors process in order to cover overpayments to ensure that the cost of this process is passed on to Managers.
- 3.5 Access to the payroll module within Oracle is restricted to only users that have been approved. Historically regular checks were not undertaken to monitor access to the system. Checks were due to be implemented around the time of the audit. However, these checks would focus on unauthorised use of the system but would not identify users no longer requiring access to the system. A medium priority recommendation has been raised as part of the review to ensure that appropriate checks are undertaken on the suitability of users.

**4. Audit Recommendations Update and status of High Risk Recommendations**

- 4.1 Internal Audit follows up all high and medium risk 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.
- 4.2 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.
- 4.3 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

<b>High</b>	Fundamental control requirement needing implementation as soon as possible.
<b>Medium</b>	Important control that should be implemented.
<b>Advisories</b>	Pertaining to best practice.

- 4.4 All high risk recommendations (including schools) due as at 31st August have been confirmed as implemented.

**Appendix B**

**1. Counter Fraud Audit Work – 01/04/19 to 31/08/19**

**1.1 Proactive Counter Fraud Investigations**

1.1.1 Proactive work undertaken during 01/04/19 to 31/08/19 is shown below:

<b>Description</b>	<b>Risks</b>	<b>Status</b>
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance. Fourteen requests for advice were received.	Ongoing
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc. No requests for advice were received.	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately. Five referrals were received.	Ongoing
FOI Requests	To undertake all freedom of Information Requests. One FOI requests were received.	Ongoing
National Fraud Initiative Data Upload	The 2018/19 NFI data has been downloaded and is ready for distribution to services for investigation.  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.	Ongoing

**1.2 Reactive Investigation Cases**

1.2.1 Three referrals were brought forward from the previous year.

- Two referrals there was no case to answer; and
- One referral has resulted in criminal investigation.

1.2.2 During 01/04/19 to 31/08/19 seven referrals were received:

- Four referrals are still being investigated;
- One referral there was no case to answer;
- One referral resulted in Standard Setting; and
- One referral resulted in a contract being terminated.



## Audit Committee, 23 October 2019

### Appendix C: Current status of 2019/20 Audit Plan

Audit Title	Status	Opinion	
<b>LBH Systems Audits</b>			
Payroll – Transactional Services	Completed	Limited	
Financial Controls Assurance	Draft Report		
Procurement	Underway		
Cloud Computing (forms part of the ICT audit allocation)	Draft Report		
Virus Protection (forms part of the ICT audit allocation)	Completed	Moderate	
Purchase Card - Transactional Services	Draft Report		
Right to Buy	Draft Report		
School Expansion Programme	Draft Report		
Corporate Governance and Decision Making	Underway		
Key Financial Audits – Compliance Work	Underway		
Private Sector Leasing	Underway		
Pension Fund Governance	Cancelled – Assurances from external reviews (The Pensions Regulator and Hymans)		
Treasury Management	Underway		
Corporate Health and Safety	Q3		
Delivery of the Corporate Plan	Q4		
Emergency Planning & Business Continuity	Underway		
Licensing Schemes	Q3		
Safeguarding Adults	Q3/4		
Social Care Transitions	Q3/4		
Regeneration – Contract Management	Q4		
Economic Development Programme Review	Q3		
General Project Assurance	Q4		
Performance monitoring – Leisure Centres	Q3		
Post Implementation Review - Liquid Logic Children's & Adults	Q4		
Fixed Term Tenancies – Housing	Q3		
Contract Management	Q3/4		
Direct Payments – Follow Up	Q3		
<b>Shared Service Audits</b>			
Oracle upgrade	Underway		
ICT (Work arising from ICT needs assessment / risk work)	TBC		
<b>LBH Schools</b>			
Suttons Primary	Completed	Moderate	
Newtons Primary	Draft Report		
St Ursula's Junior	All remaining school audits booked in for dates during Q3 and Q4.		
St. Joseph's CP			
Whybridge Infant			
Learning Federation Broadford/Mead			
Parklands Infant			
Langtons Infant			
Hilldene Primary			
Crowlands Primary			
Mawney Foundation			
Harold Wood Primary			
La Salette Catholic Primary			
Health Checks (21)		2 Completed	

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**AUDIT COMMITTEE**

<b>Subject Heading:</b>	Governance and Risk Update
<b>SLT Lead:</b>	Jane West Managing Director oneSource
<b>Report Author and contact details:</b>	Jeremy Welburn Head of Assurance. Tel: 01708 432610 / 07976539248 E-mail: jeremy.welburn@onesource.co.uk
<b>Policy context:</b>	To inform the Committee of progress against significant governance issues (as reported in the 2018/19 Annual Governance Statement) and an update on Risk Management.
<b>Financial summary:</b>	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 progress against significant governance issues as reported in the 2018/19 Annual Governance Statement (AGS) and updates on Risk Management.

**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**

**1. Risk Management Update**

- 1.1 A revised draft Risk Management Strategy was presented to Audit Committee in April 2019 along with an outline of areas of improvement, as identified in a review by Zurich.
- 1.2 Since then there has been a risk identification and horizon scanning session held by the Governance and Assurance Board and a risk workshop held with the Regeneration senior management team. A training session has also been held with CLT members. Further workshops are scheduled in October for Children's Services, Public Health, Adult's Services with Housing expected to place in November.
- 1.3 The Corporate Risk Register has been subject to ongoing review and update by the Governance and Assurance board and SLT. A revised Corporate Risk Register is expected to be presented at the next Audit Committee meeting.
- 1.4 Risk Management continues to be led by the Audit Managers.
- 1.5 It is proposed that training for Audit Committee members regarding their role in the risk management cycle is planned as part of the 2019/20 training schedule.

**2. Governance Update**

- 2.1 Regulation 6(1b) of the Accounts and Audit Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS). The purpose of the AGS is to communicate to stakeholders the standards of corporate governance the organisation demonstrates and identify any significant issues that have arisen in year, and what is planned to address these issues. The Council has an officer Governance and Assurance Board which meets at least quarterly and is made up of the following standing members:

- Chief Operating Officer (S151 and Chair)
  - Head of Assurance, oneSource
  - Monitoring Officer (Deputy Director of Legal & Governance oneSource)
  - Director of Finance (oneSource)
  - Head of Finance (Strategic)
  - Head of Procurement (oneSource)
  - Head of the Programme Office
  - Assistant Director Transformation
  - Technical Services Director
  - Head of the Joint Commissioning Unit
  - Director of Human Resources / Organisational Development (oneSource)
- 2.2 This group oversees the process to produce the AGS annually and as a standing meeting item monitors and updates the action plan to address significant governance issues raised. The group maintains a record of new issues raised during the year and a detailed action plan to capture outcomes and achievements. Actions are allocated to responsible officers for progression between meetings.
- 2.3 The Governance Group is non-decision making and escalates issues to Senior Leadership Team. The output informs the Annual Governance Statement, Corporate Risk Register and other policies and procedures etc. as appropriate.
- 3. Annual Governance Statement (AGS) 2018/19 – action taken in relation to significant governance issues**
- 3.1 The 2018/19 AGS was reported to the April 2019 Audit Committee.
- 3.2 The significant issues raised in the 2018/19 Annual Governance Statement are set out in detail in Appendix A and progress against each of these is reported there. For members' ease of reference the four areas identified are:
- **Delivery of a balanced budget – Embedding the governance culture and framework within the organisation:**
  - **EU Exit; preparations and impact.**
- 3.3 An action plan and progress towards each of the three 2018/19 significant issues is updated at each Governance and Assurance Board meeting during the year (see Appendix A).

**Appendices:** Provide supporting detail for Members' information

**Appendix A:** Governance and Assurance Board AGS 2018/19 Significant Issues Action Plan updated August 2019.

**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.

However, it should be noted that failure to appropriately manage the areas identified in 2.2 could result in significant financial loss for the Council. As such setting and regular review and monitoring of the significant issues action plan will help to mitigate these risks. The risks of our arrangements not complying with best practice may lead to the Council not being viewed as open and transparent by stakeholders.

**Legal implications and risks:**

The Council is responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk (Regulation 3 of the Accounts and Audit Regulations 2015). The Council must carry out an annual review of the effectiveness of its system of internal control which must be considered by the relevant committee. In the light of that review, the Council must produce an annual governance statement which must be approved by the relevant committee in advance of the Authority approving the statement of accounts (Regulations 6 (1), (2) and (4) of the Accounts and Audit Regulations 2015).

There are no apparent risks in noting the content of this report.

**Human Resources implications and risks:**

None arising directly from this report.

**Equalities implications and risks:**

None arising directly from this report. Equality and social inclusion are key factors to consider in the Council's governance arrangements and any changes to the Code of Governance or other related policies and procedures are assessed in order to ensure the impact is appropriately identified.

<p><b>1. Delivery of a balanced budget:</b> The Council was able to set a balance budget for the 2019/20 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 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. Uncertainty around many aspects of the future funding model for Local Government remains a challenge in the medium term.</p>	
Action Already Taken	Planned Actions for 2019/20 and Progress
<ul style="list-style-type: none"> <li>• At the end of 2018/19 the Council was able to achieve a balance budget for 19/20.</li> <li>• The development of the 2019/20 budget and MTFs has fully taken account of the financial position being reported for 2018/19. At budget setting, the period 8 (30th November) monitoring report reviewed by Overview and Scrutiny Committee reported an overspend across Council service departments of £2.787m for 2018/19. The Senior Leadership Team has continued to focus on measures to contain expenditure within the approved budget in order to ensure financial stability as a basis for the 2019/20 budget and beyond. Work continued in year to reduce the overspend by the year end.</li> <li>• Officers reported to the Senior Leadership Team on a monthly basis from period 2 – 12 the anticipated outturn for the financial year, which identified medium term financial pressures and opportunities, and demonstrated management action to contain the in year position.</li> <li>• 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.</li> <li>• The Council established a wider transformation and modernisation programme supporting the delivery of efficiencies whilst improving outcomes to residents and delivering the Council's corporate plan.</li> <li>• A corporate capital strategy was developed in line with the revised code of practice and this was approved with the capital programme alongside the MTFs report. This incorporated the work of the council's regeneration programmes.</li> </ul>	<p>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.</p> <ul style="list-style-type: none"> <li>• The Medium Term Financial Strategy will continue to be updated and the corporate work plan is beginning from April to consider the budget challenge for the next year and medium term. Cabinet will receive updates on the MTFs and overarching financial position throughout the year.</li> <li>• The Council continues to deliver the transformation and modernisation programme, including the transition to Oracle Fusion. The theme boards will focus on the delivery of the transformation and core business.</li> <li>• Officers will continue to work with the 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.</li> </ul>
Lead Officer	Target Date for Completion
Jane West, Chief Operating Officer	March 2019

<p><b>2. Embedding the Governance Culture and Framework within the organisation:</b> Further work needs to be undertaken to develop a comprehensive, auditable and objective assurance process to give reassurance that the Governance framework is understood and embedded within the organisation. Particular emphasis should be given to ensuring that any change in the governance framework is known and addressed and that new personnel are equipped with the correct knowledge and understanding.</p>	
<p><b>Action Already Taken</b></p>	<p><b>Planned Actions for 2019/20 and Progress</b></p>
<p>• Induction process. Governance issues picked up within some individual audits during completion of the 2018/19 Internal Audit plan and recommendations raised to address them.</p>	<ul style="list-style-type: none"> <li>• Review to be undertaken of the Constitution, Scheme of Delegation, Financial Procedures and Procurement Regulations to streamline processes and improve clarity</li> <li>• A new iAuditor tool has been introduced to manage all projects and decision reports from inception to completion. This also feeds projects through to ExecView ensuring projects are being monitored. This has increased transparency across the organisation.</li> <li>• Review and development of induction process to ensure governance is fully covered.</li> <li>• Development of co-ordinated and monitored training programme in relation to governance processes.</li> <li>• Further specific governance and risk work allocated in the 2019/20 Internal Audit Plan. Work underway includes Governance and Decision Making, compliance audits and risk workshops.</li> </ul>
<p><b>Lead Officer</b></p>	<p><b>Target Date for Completion</b></p>
<p>Jane West, Chief Operating Officer</p>	<p>March 2019</p>



<b>3. EU Exit; Preparations and Impact</b>	
<b>Action Already Taken</b>	<b>Planned Actions for 2019/20 and Progress</b>
<ul style="list-style-type: none"> <li>• Established a Corporate EU Exit Group, reporting as necessary to SLT</li> <li>• Active participation in Borough, London and National related groups, e.g. London Resilience</li> <li>• Completion of the London Resilience Risk Register for Havering</li> <li>• Review of Borough Emergency Plan and arrangements against National standards</li> <li>• Training of Local Authority GOLD Officers</li> <li>• Updated Business Continuity Plans</li> <li>• Testing of Borough Emergency Plan</li> <li>• Attendance at national events</li> <li>• Implemented weekly PI monitoring</li> <li>• Weekly returns to London Councils made</li> <li>• Weekly telephone conference with London Resilience/London Council Groups</li> <li>• Sign-posting of National Guidance (Community and Staff)</li> </ul>	<p>As above plus:</p> <ul style="list-style-type: none"> <li>• Brexit lead officer has been identified as required by government</li> <li>• Review key Risk Mitigations</li> <li>• Support for LAC EU settlement status</li> </ul>
<b>Lead Officer</b>	<b>Target Date for Completion</b>
Jane West, Chief Operating Officer	March 2019

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