



Haverling

LONDON BOROUGH

AUDIT COMMITTEE AGENDA

7.00 pm	Thursday 27 July 2023	Appointment Centre Room 10 & 11, Town Hall, Romford
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Members 7: Quorum 3

COUNCILLORS:

Conservative Group (3)	Haverling Residents' Group (3)	Labour Group (1)	East Haverling Residents Group (1)
Keith Prince Damian White David Taylor	Julie Wilkes (Chairman) David Godwin (Vice-Chair) Sarah Edwards	Jane Keane	Darren Wise

**For information about the meeting please contact:
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Under the Committee Procedure Rules within the Council's Constitution the Chairman of the meeting may exercise the powers conferred upon the Mayor in relation to the conduct of full Council meetings. As such, should any member of the public interrupt proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room and may adjourn the meeting while this takes place.

Excessive noise and talking should also be kept to a minimum whilst the meeting is in progress in order that the scheduled business may proceed as planned.

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 18 April 2023 and authorise the Chairman to sign them.

5 ANNUAL TREASURY MANAGEMENT REPORT 2022/23 (Pages 5 - 22)

Report attached.

6 HEAD OF ASSURANCE ANNUAL OPINION 2022 23 INCORPORATING INTERNAL AUDIT PLAN OUTTURN (Pages 23 - 42)

Report attached.

7 URGENT BUSINESS

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specific in the minutes that the item should be considered at the meeting as a matter of urgency.

Zena Smith
Head of Committee and
Election Services

Public Document Pack Agenda Item 4

MINUTES OF A MEETING OF THE AUDIT COMMITTEE Council Chamber - Town Hall 18 April 2023 (9.15 am - 8.10 pm)

Present:

COUNCILLORS:

Conservative Group	Keith Prince and Timothy Ryan
Residents' Group	Julie Wilkes, David Godwin (Vice-Chair)
Labour Group	Jane Keane
East Havering Residents Group	TBC

Apologies were received for the absence of Councillors Michael White and Judith Holt (Councillor Timothy Ryan substituted).

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.

103 **MINUTES OF THE MEETING 24 JANUARY 2023**

The meeting minutes of the Committee held on 24 January 2023 were agreed as a correct record and would be signed by the Chairman.

104 **ASSURANCE PROGRESS REPORT**

A Committee were presented with a report that informed the Committee of progress on assurance work during 2022/23.

The report advised on the work undertaken by the Assurance Service (internal audit and counter fraud) during the period from 1st January to 31st March 2023.

It was explained that the Internal Audit follows up all high and medium risk audit recommendations with relevant service management. There was 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, and verified through a follow up audit review.

All high and medium risk recommendations due as at the end of March 2023 had been followed up and confirmed with management as implemented. Any recommendations that remain outstanding and are past agreed implementation dates will be reported to Audit Committee. A complete list of all recommendations raised during 2023/24 and their current status will be reported to Audit Committee alongside the annual report and Head of Assurance opinion in July 2023.

Recommendations were classified into three potential categories according to the significance of the risk arising from the control weakness identified and were as follows:

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

The summary of findings was as follows:

- There is an overall lack of ownership for managing and coordinating the Council's CCTV operations, including ensuring compliance with local and legislative requirements.
- There is no central list setting out all areas where CCTV / applicable equipment is being used.
- Discussions with senior officers in Council departments contacted during this review highlighted that there is a lack of knowledge across the council in relation to the responsibilities in relation to CCTV.
- The lack of an agreed Council wide approach to cover the Council's CCTV activities, in addition to the absence of any overarching ownership has resulted in non-compliance with the DPIA requirements.

The overall audit opinion provided Limited Assurance that the Councils CCTV complies with DPIA. This means there were fundamental weaknesses in the internal control environment within the areas reviewed, and further action was required to manage risks to an acceptable level.

The Committee expressed concern over the findings in regards to the CCTV issues and Officers assured that they were aware of the issues and trying to find solutions.

The Committee **noted** the report.

105 **DRAFT INTERNAL AUDIT PLAN 2023/24 CONSULTATION**

The Committee were presented with a report that informed the Committee of the proposed audit plan for 2023/24

It was explained that the Public Sector Internal Audit Standards referred to the need to produce a risk-based Internal Audit Plan. This would take into account the requirement to produce an annual internal audit opinion and report that could be used by each Council to inform the Annual Governance Statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. To support this, the risk-based plan needed to include an appropriate and comprehensive range of work. The report set out the approach to producing the draft Internal Audit plan and invited comments from Members.

The Committee **noted** the report.

106 **RISK MANAGEMENT UPDATE**

The Committee were provided with a report that provided an update on the Corporate Risk Register.

It was explained that the Corporate Risk Register was subject to regular review and risks were discussed at monthly Governance and Assurance Board meetings, chaired by the Section 151 officer. The Audit Committee should receive an updated Corporate Risk Register every six months.

As part of this ongoing review, new risks may be added and existing risks amended or removed at any time changes are identified. A summary version of the current Corporate Risk Register was provided in Appendix 1 of the report which included current likelihood and impact scoring of the risks based on assessment by the risk owner (using the risk matrix from the Council's Risk Management Strategy and Toolkit).

The Committee **noted** the report.

107 **LBH PROVISIONAL AUDIT RESULTS REPORT & HAVERING PENSION FUND PROVISIONAL AUDIT RESULTS REPORT**

The Committee were presented with a report that informed them of the progress on the audit of the 2020/21 Draft statement of Accounts (found in the first Supplementary Document pack pages 1-100).

It was explained that the external auditor, EY advised the Committee on the work undertaken and that the Council published its draft statement of Accounts for the financial year 2020/21 in July 2021.

EY had previously presented their Audit Planning Report, at the 28 April 2021 meeting of the Audit Committee that provided an overview of our audit scope and approach for the audit of the financial statements.

The attached reports were the provisional Audit Results Report produced by the Council's external auditor, EY on the Council's accounts and the Council's Pension Fund accounts for 2020/21.

The reports attached were for the Audit Committee's consideration and were supported by a presentation from EY including an update on the progress of the audit to date and the remaining work required to complete it.

The Committee **noted** the report.

108 **ACCOUNTING POLICIES 2023/24 AND STATEMENT OF ACCOUNTS UPDATE**

The Committee were presented with a report that provided them with the accounting policies for 2023/24 and an update on the Statement of Accounts for previous years (found in the second Supplementary Document pack, pages 1- 32).

It was explained that the report was presented in two sections: Section 1 - Accounting Policies 2023-24, Section 2 - Statement of Accounts Update. Appendix A - Accounting policies 2023-24, Appendix B - DLUHC letter to LG and Audit Firms.

The Statement of Accounts for 2023/24 would be presented to the Audit Committee during 2024. The accounting policies statement would be included within the accounts and any significant changes made during the course of the closedown programme and/or audit (if completed) would be highlighted and explained by officers.

It was explained that there were no material changes proposed to Havering's accounting policies for the 2023/24 accounts. The requirement to include all leased assets on the balance sheet had been deferred for Local Government until 2024/25, this change should not have a material impact upon the Council's usable financial resources as the amounts payable under the leases would remain the same.

Officers were working with the auditors to complete the audit of the 2020/21 accounts. An update would be provided in the meeting. With CIPFA guidance on infrastructure accounting having been provided, the accounting policies had been amended to make reference. A review of the group accounting treatment of subsidiaries and joint ventures was being conducted. Once this review was complete, the 2020/21 accounts would be tabled at Committee for approval. The 2021/22 audit was due to commence later this year.

The 2020/21 and 2021/22 draft Statement of Accounts were now available on the Council website. Officers would be collating the 2022/23 Statement of Accounts in the coming weeks and planned to publish them by the Government deadline, currently 31st May 2023 (though there is a possibility the Government would extend this deadline).

The Committee **noted** the report.

109 **FUTURE AGENDA ITEMS**

Members were requested to email the Chair of the Committee on their preferences for future agenda items.

Chairman



AUDIT COMMITTEE 27 JULY 2023

Subject Heading:

**Annual Treasury Management Report
2022/23**

SLT Lead:

**Dave McNamara
Interim Section 151 Officer**

Report Author and contact details:

**Tony Piggott / Stephen Wild
Treasury Manager / Head of Pensions
and Treasury
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Stephen Wild@oneSource.co.uk**

Policy context:

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the prudential and treasury indicators for 2022/23. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, (“the CIPFA TM code”) and the CIPFA Prudential Code for Capital Finance in Local Authorities, (“the Prudential Code”)

Financial summary:

**The Treasury Strategy supports the
Authority’s Budget strategy.**

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 CIPFA 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 Statement (TMSS) 2023/24 was approved by Full Council on the 1 March 2023. This backward looking report covers the delivery of the TMSS in 2022/23.

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

RECOMMENDATIONS

- To note the content of treasury management activities and performance against targets for the financial year 2022-23 as detailed in the report.

KEY HIGHLIGHTS

- Investment income outturn overachieved budget by £2.6
- Interest payable underspent the budget by £1.8m, delivering a net underspend of £4.4m (of which £3.8m relates to the General Fund) for 2022/23.
- The Authority's long term debt are on fixed rates averaging 2.95% and are not affected by the recent increases in the Bank of England bank rate.
- No new long term debt was taken while long term interest rates remain elevated.
- During the year treasury exceeded its benchmark of 3 month SONIA @1.38% delivering a yield of 1.73%.
- During 2022/23 this Authority's treasury activities remained within the treasury limits and prudential indicators set out in the TMSS.

REPORT DETAIL

1. Background

1.1. Introduction

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the TM Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2022/23 the minimum reporting requirements were that the Authority should receive the following reports:

- An annual treasury strategy in advance of the year (Council 3 March 2022)
- A mid-year, (minimum), treasury update report (Audit Committee 19 October 2022)
- An annual review following the end of the year describing the activity compared to the strategy, (this report).

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

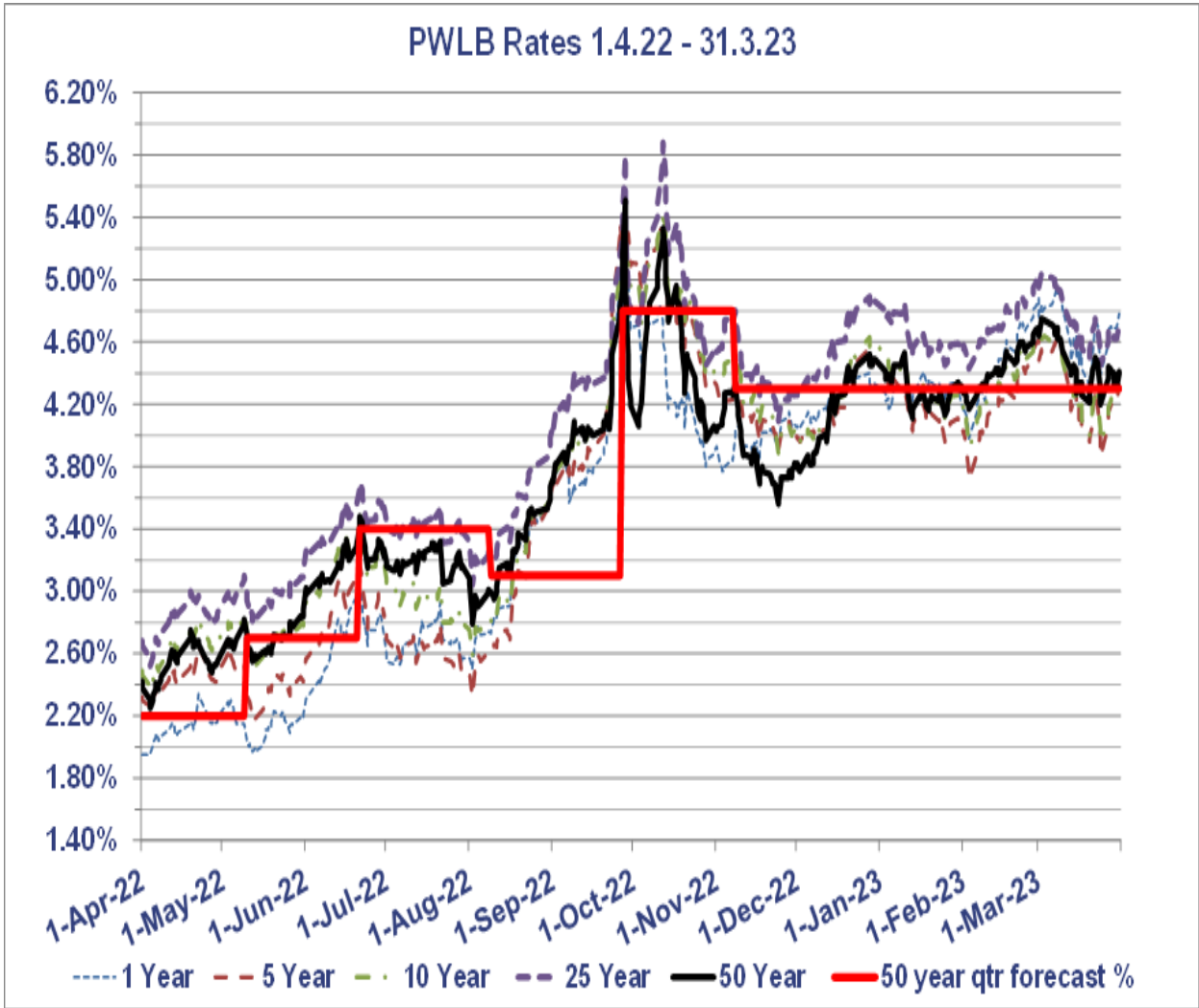
1.2. Economic

Starting April 2022 at 0.75%, The Bank of England (BoE) Monetary Policy Committee (MPC) continued to increase the Bank Rate, moving in stepped increases of either 0.25% or 0.50%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24. UK Inflation

measured by the CPI remained stubbornly high during the period ending the year at 10.1%, well above the (BoE) target of 2%. Since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the Bank of England is being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

UK Gilt yields (which drive PWLB interest rates) rose steadily during the period reaching a peaking in the autumn of 2022, before falling back, currently, Gilt yields are broadly range bound between 3% and 4.25%. As at the 31 March 2023, all gilt yields from 1 to 50 years were between 3.64% and 4.18%, see chart below. The policies pursued by the brief Truss government resulted in the spike in rates during the autumn of 2022. Since April long term rates have increased as inflation remains stubbornly high.

Graph 1: PWLB Rates 2022/23



HIGH/LOW/AVERAGE PWLB RATES FOR 2022/23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

2. Treasury Management Summary

2.1 The treasury management activity in year is shown in table 1 below:

Table 1: Treasury management summary as at 31 March 2022

	01.04.22		31.03.23	2022-23	2022-23	2022-23
	Balance outstanding	Movement	Balance outstanding	interest	Average Balance	Weighted Average Rate
	£m	£m	£m	£m	£m	%
LONG-TERM BORROWING						
PWLB	307.124	0	307.124	8.861	307.124	2.88
LOBO	7.000	0	7.000	0.252	7.000	3.60
Short-term borrowing	0.853	12.800	13.653	0.107	2.927	3.66
Total borrowing	314.977	12.800	327.777	9.220	317.051	2.91
INVESTMENTS						
Short-term investments	85.000	(85.000)	0	1.157	71.870	1.61
Cash and cash equivalents	52.000	(21.800)	30.200	0.918	48.051	1.91
Total investments	137.000	(106.800)	30.200	2.075	119.921	1.73
Net borrowing	177.977	119.600	297.577	7.145	197.130	3.62

3. Borrowing strategy

3.1 Table 2 sets out the change in the Authority's Capital Financing Requirement (CFR) in 2022/23 – this measures how the Authority's underlying borrowing need has changed in year as a result of activity on its approved capital programme and how it has been financed. The Authority's capital finance budget includes provision to fund the capital programme's expected borrowing requirement from new long term fixed rate debt.

Table 2: CFR and its financing 2022/23

£m	01/04/22 Act	31/03/23 Budget	31/03/23 Act
GF CFR	189	235	212
HRA CFR	280	369	347
Total CFR	469	604	559

Financed by:			
Internal cash	154	296	232
External long term Debt:			
HRA	229	229	229
GF	86	79	85
External Short term Debt:			
GF	0	0	13

- 3.2 The short term strategy involved using the Authority's cash balances to fund the 2022/23 borrowing requirement in the capital programme. In addition short term borrowings were entered into in February & March 2023 totalling £13m.
- 3.3 The Authority's debt portfolio is fixed with an average maturity of 24 years, with inflation currently higher than the current cost of debt at 31 March 2023 of 2.95%, the real value of that debt is set to fall.
- 3.4 The S151 officer balanced the need to minimise the costs from funding the CFR by using internal cash balances and defer the drawdown of more expensive long term debt against the protection it offers in reducing interest rate risk and stabilising capital finance costs in the budget strategy. Slippage on the capital programme in 2022/23 has meant the Authority's cash balances have remained higher than planned. This strategy of deferring long term borrowing resulted in significant savings in the 2022/23 capital finance budget as detailed in table 4 below. This strategy may need to be reviewed should interest rates remain higher for longer.

Table 4: Capital finance outturn 2022/23

Item	HRA £m	General Fund £m
Interest payable		
Budget	8.0	3.8
Outturn	7.4*	2.6
Underspend	0.6	1.2
Interest receivable		
Budget	0	0.2
Outturn	0	2.8*
Underspend	0	2.6
Net Underspend	0.6	3.8

* includes £0.6m HRA adjustment

3.5 Debt Rescheduling

The possibility of debt rescheduling was regularly discussed with our treasury adviser. The current PWLB rules on redemption remain prohibitive and costly.

3.6 LOBO Loan

The Authority holds a £7m LOBO loan with Danske Bank that has the option to propose an increase in the interest rate at set dates, while the Authority has the option to either accept the new rate or to repay the loan at no additional cost. The treasury adviser stated there is a possibility that the lender may propose an increased rate in the foreseeable future. Officers will continue to monitor and liaise with Danske Bank going forward.

4. Investment strategy

4.1 The Authority's cash investments were utilised during the year to finance the growth in capital expenditure met from borrowing (CFR) falling from £137m to end the year at £30.2m, as shown in Table 5 below.

4.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and yield in that order. Officers kept treasury investments in short-term instruments in 2022/23 so they could be used to fund the capital programme whilst maintaining a liquidity buffer of £40m as a contingency against any future credit crisis. The Authority has benefited from this strategy as it has been able to take advantage of the increase in short term interest rates.

Table 5: Treasury investment activity 2022/23

Investments	Balance at 31/03/22 £m	Movement £m	Balance at 31/03/23 £m	Interest Rate * %
Bank & Building Society (fixed unsecured)	50.000	(50.000)	0.000	0.00
Bank & Building Society (Call & Notice Accounts)	20.000	(20.000)	0.000	0.00
Local Authorities	15.000	(15.000)	0.000	0.00
Debt Management Office (DMO)	52.000	(21.800)	30.200	4.05
Total investments	137.000	(106.800)	30.200	4.05

* interest rate at 31 March 2023.

4.3 **Appendix A** shows the breakdown of counterparties and investments for the Authority, showing the percentage each investment represents as a part of the total amount invested.

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 6 below:

Table 6: Treasury investment performance 2022-23

	Benchmark Return 3 month SONIA	Budgeted Rate	Budgeted Interest (Full Year)	Weighted Actual Rate of Return	Interest
	%	%	£m	%	£m
2022-23	1.38	0.25	0.25	1.73	2.07

6. Regulatory Changes

- 6.1 The revised CIPFA code was explained in last year's report and came into effect in 2023/24 financial year. Members received training on this in January 2023 from LINK our treasury advisors.

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 A of this report.
- 7.2 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Authority uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times. All decisions will be undertaken with regards to all available information, including, but not solely our treasury adviser.

Risk is inherent in all treasury activity. The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.

Treasury operations are undertaken by nominated officers as prescribed by the Treasury Management Policy Statement as approved by the Council.

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.

The report has no direct equalities implications.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

Health and Wellbeing implications and risks:

The Council is committed to improving the quality of life and wellbeing for all Havering employees and residents in respect of socio-economics and health determinants. Whilst

there are no direct implications to the Council's workforce and residents health and wellbeing as a result of this report.

BACKGROUND PAPERS

None

Compliance Report

All treasury management activities undertaken during the financial year 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.

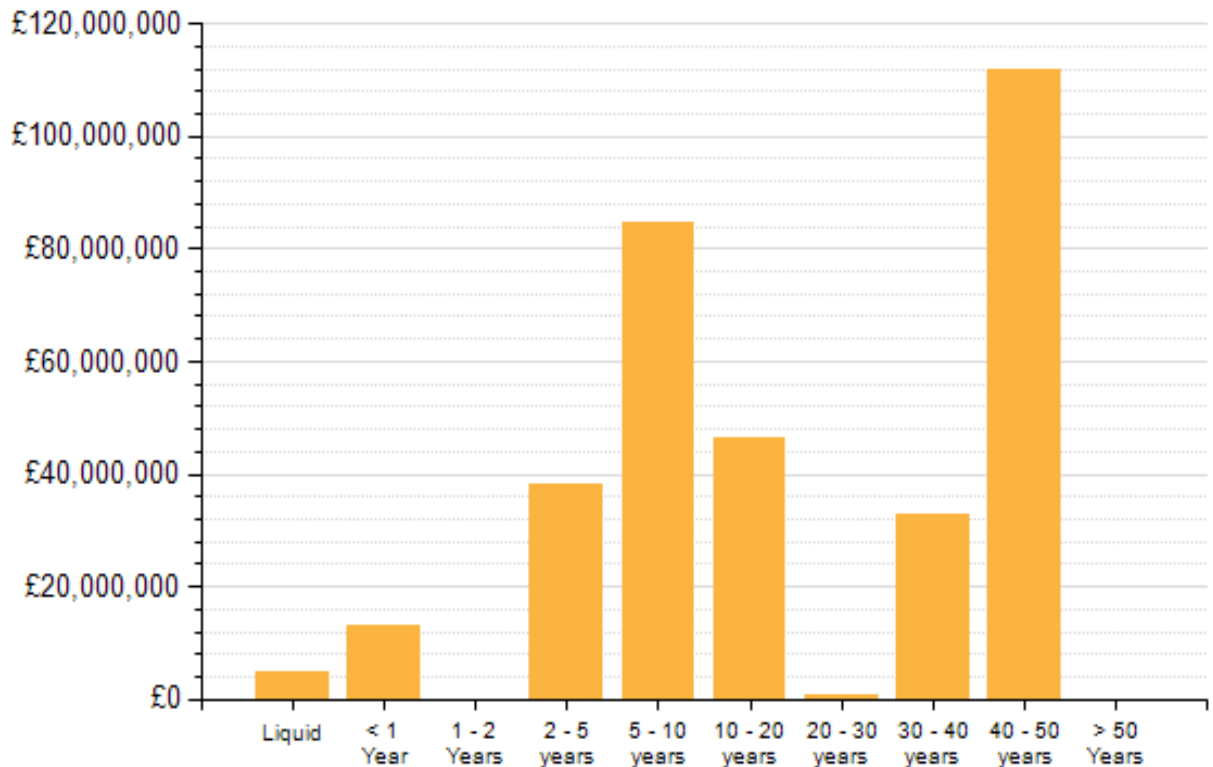
1.1 Maturity Structure of Borrowing

1.1 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 1: Loan maturity structure

	Upper %	Lower %	Actual %
Under 12 months	40	0	4
12 months and within 24 months	60	0	0
24 months and within 5 years	80	0	12
5 years and within 10 years	100	0	26
10 years and above	100	0	58

Loans Maturities by Type



Tenor Bucket	Amount	Rate
< 1 Year	£13,000,000	4.17%
1 - 2 Years		
2 - 5 years	£38,057,412	3.13%
5 - 10 years	£84,582,212	3.30%
10 - 20 years	£46,524,800	3.45%
20 - 30 years	£653,158	2.27%
30 - 40 years	£32,959,855	5.03%
40 - 50 years	£112,000,000	1.66%
> 50 Years		
Total	£327,777,437	2.95%

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. The average maturing life of the long term debt is 24 years.

1.2 Principal Sums Invested for Periods Longer than 364 days

1.2.1 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.

1.2.2 The limits set in the 2022/23 treasury management strategy in comparison to the quarter one is set below. It is the authority's policy to classify investments with maturities exceeding one year as Long term investments.

Table 3: Investments for periods longer than 364 days

	2022/23 Limit £m	2022/23 Actual £m	2023/24 Limit £m
Limit on principal invested beyond year end	120	-	50

1.3 Security Treasury Indicator

1.3.1 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

	31.03.23 Actual	2022/23 Target
Portfolio average credit rating	A+	A+

1.4 Gross Debt and the Capital Financing Requirement (CFR)

1.4.1 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. The estimates below are based on those set out in the approved TMSS 2023/24 – the capital programme is currently under review and are likely to change.

Table 6: Gross debt and the CFR at 31st March 2023

	31.03.23 Actual £m	31.03.23 Estimate £m	31.03.24 Estimate £m	31.03.25 Estimate £m
Long-term External Debt	315	345	556	665
Short-term External Debt	13	0	0	0
Total debt	328	345	556	665
General Fund	142	147	169	173
Housing HRA	347	369	456	478
Regeneration	70	88	190	274
TOTAL CFR	559	604	815	925
Internal Borrowing	231	259	259	260

1.4.2 Total debt is expected to remain below the CFR. Officers will draw down long term debt when conditions merit it. Actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt as below.

1.5 Operational Boundary for External Debt

1.5.1 The operational boundary is based on the authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. These limits may be reviewed as part of mid-year TMSS report in the event of a change in the interest rate outlook and the decision is made to fund the increase in CFR from external debt.

Table 7: Operational Boundary

Operational Boundary	2022/23 £m	31.03.23 Actual	2023/24 £m	2024/25 £m
Borrowing	650	328	890	1,025
Other long-term liabilities	0	0	10	10
Total	650	328	900	1,035

1.6 Authorised Limit for External Debt

1.6.1 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 borrow. The authorised limit provides headroom over and above the operational boundary for unusual cash movements

Table 8: Authorised limit for external debt

Authorised Limit	2022/23 £m	2023/24 £m	2024/25 £m
Borrowing	690	940	1,075
Other long-term liabilities	0	10	10
Total Debt	690	950	1.085
Long Term Debt	315	315	315
Headroom available (amount)	375	625	760

Glossary of Terms

Appendix C

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.

SONIA sterling overnight interest average rate, the average rate at which banks offer funds in the overnight sterling market.

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). CPI inflation measure excludes housing costs.

CPI (Consumer Prices Index) this measure excludes housing costs.

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.

Borrowing Requirements The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.

Capital Financing Requirement (CFR) Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.

Counterparties Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMFs.

Credit Default Swap (CDS) A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.

Credit Watch A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors that indicate the financial strength and other factors of a bank or similar Institution.

DMO (Debt Management Office) a department in the treasury where deposits can be placed with the government.

Interest Rate Exposures A measure of the proportion of money invested and what impact movements in the financial markets would have on them.

Market Loans Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.

Money Market Fund (MMF) A 'pool' of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.

Minimum Revenue Provision (MRP) This is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.



AUDIT COMMITTEE 27 JULY 2023

Subject Heading:

Head of Assurance Annual Report and 2022/23 Internal Audit Plan Outturn

SLT Lead:

Dave McNamara, Interim Section 151 Officer

Report Author and contact details:

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Policy context:

To present a summary of the outcomes of Internal Audit and Counter Fraud work completed during 2022/23 and the Head of Assurance's annual opinion.

Financial summary:

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

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 2022/23 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 2022/23.

RECOMMENDATIONS

Members are asked to consider the Assurance End of Year Report 2022/23 incorporating Head of Assurance Opinion and to make any appropriate recommendations.

REPORT DETAIL

Introduction

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.

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.

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.

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.

This report summarises the outcomes of audit and counter fraud work undertaken during 2022/23 in support of the Audit Committee's role.

Assurance End of Year Report 2022/23 incorporating Head of Assurance Opinion

1 Head of Assurance Annual Opinion

- 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 by Internal Audit 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 is 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 has 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 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.
- 1.3 From the work undertaken during the 2022/23 year, reasonable assurance can be provided that there is generally a sound system of internal control across the Council. This opinion is broadly consistent with the 2021/22 view. However, it should be noted that the reasonable assurance opinion provided this year contains one significant issue, as detailed below:
- Procurement and contract management continues to be an area of ongoing risk, particularly with the challenging financial position the Council faces.

Furthermore, this opinion takes into account the increase in ICT related risks added to the Strategic Risk Register during 2022/23. Whilst the majority of these remain at a 'high' risk, they are being monitored and reviewed through the Council's risk management process.

The Internal Audit Plan will continue to focus on these areas to provide assurance to the Audit Committee.

- 1.4 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.

1.5 The table below provides a summary of Audit Opinions issued in 2022/23. 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 Category	No Opinion	Reasonable	Limited
LBH Systems Audits	12	9	7
LBH Schools Audits	0	3	0
Academies	0	2	0
Total	12	14	7

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

Key to Assurance Levels	
Reasonable Assurance	The control framework is adequate to manage the risks in the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
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.

2 Outturn of 2022/23 Internal Audit Plan

- 2.1 The Annual Audit Plan was approved by the Audit Committee in April 2022. The plan was developed using a thematic approach, in line with the Corporate Plan priorities for 2022/23, with time allocated under each theme to carry out risk identification and process mapping, where required. Members are reminded that the 2022/23 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. Where changes are made they are outlined in the table in section 9.
- 2.2 The table below details the results of the final reports issued / reviews completed, relating to the 2022/23 Internal Audit Plan, since the last progress report presented to Members in April 2023:

Report	Assurance	Recommendations			
		High	Med	Advisory	Total
System Audits					
Housing – Compliance*	Reasonable	0	3	1	4
Contract Management – Environment (Phase 2)	Completed	n/a	n/a	n/a	n/a
Procurement – Traded Services	Completed	n/a	n/a	n/a	n/a
System Audits Total					

*This audit is a follow up of a review carried out in 2021/22 by Mazars. The recommendations in the table are those that remain to be fully implemented from this initial review and are not additional recommendations made as a result of the follow up.

3 Audit Recommendations Update

- 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.
- 3.2 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 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:	Advisories - Pertaining to best practice.

- 3.4 The status of all recommendations raised during 2022/23 is outlined within the table below:

Systems Audits				
Number of Recommendations	High	Med	Advisory	Total
Recommendations raised since the last progress report	0	3	1	4
Total Recommendations Raised during 2022/23	15	16	11	42

School Audits (including Academies)				
Number of Recommendations	High	Med	Advisory	Total
Recommendations raised since the last progress report	0	0	0	0
Total Recommendations Raised during 2022/23	0	10	1	11

- 3.5 The details of the high risk recommendations were provided to Members in each of the progress reports provided at the previous Audit Committee meetings.
- 3.6 The table below provides details of all recommendations raised for systems audits during 2022/23:

Priority	Recommendation	Status
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Contract Management (G4S)		
High	Action should be taken to address the expired corporate contract with G4S.	Implemented
Medium	The Accounts Payable Team should work, in liaison with the Strategic Procurement Unit to agree how services using G4S raise purchase orders in advance of service and without an invoice. All respective services / officers should be provided with appropriate guidance and training in this matter.	Implemented
High	The Strategic Procurement Unit should ensure that adequate contact details are held for G4S and that all officers within the Council, using G4S services have up to date / accurate contact information for necessary individuals within G4S and the Strategic Procurement Unit to report any contract / service related issues.	Implemented
High	The Strategic Procurement Unit should lead on the Council's engagement with G4S to resolve the issues regarding the perceived non-payment of invoices and the suspension of services. This should include ensuring that all parties within the Council and G4S are aware of the correct process to follow, including any applicable exemptions.	Implemented
Direct Payments		
Medium	A temporary period of monitoring should be undertaken to assess the number of errors. This should then lead to a decision as to whether there is a significant risk and action to be taken to mitigate this. Monitoring should continue until a pattern or trend can be seen, and re-introduced if error rates start to increase	Implemented
Medium	Information for clients opting to employ their own carers/PAs should be more comprehensive to ensure clients meet all requirements, and therefore reduce the time taken to address problems.	Not Due Due Date: September 2023
Advisory	It is advisable that the Service consider alternative options to help support clients, such as using third party charities that clients could be signposted to. In addition, a payroll provider could be commissioned who would deliver a service required and be offered to clients when they are making their payroll provider choices. These options should be considered in consultation with both Procurement and Legal Services.	Advisory
Advisory	It is advisable that the service look at ways of reducing the number of audits that need to be carried out during the year.	Advisory

Medium	The results of error monitoring should be fed back to the panel / meeting between Direct Payments and Social Care. Training issues should be addressed if it is found errors are consistently being made by the same person / social worker, and included as part of their performance review.	Implemented
Medium	To ensure the 35 day target for setting up of a Direct Payment is met, a manual way to monitor and report the process should be undertaken until the issues surrounding the development of the Power BI Dashboard are resolved, and the target is monitored in this way.	Not Due Due Date: September 2023
DPIA Compliance – CCTV		
High	Collate and maintain a central record of CCTV currently in place across the organisation. This should include establishing a network of key contacts across all relevant areas in order to work collaboratively and provide clear lines of communication. Where this process identifies CCTV not supported by a DPIA action should be taken to address this immediately.	Original Due Date: June 2023 – extended to October 2023 In Progress
High	Produce and publish guidance to make Council staff aware of their responsibility in terms of complying relevant legislative requirements (GDPR). This should include clear signposting on the intranet to ensure that officers procuring new CCTV / applicable equipment not only have access of guidance, but are aware of the need to engage with the SPOC in order to update the central records.	Original Due Date: June 2023 – extended to October 2023 In Progress
High	SLT should be suitably informed of the risks arising from this report and the Council's exposure in this area. A decision should then be made by SLT to agree where overarching responsibility for Council wide use of CCTV should sit, to provide services with CCTV with a Single Point of Contact (SPOC).	Original Due Date: June 2023 – extended to October 2023 In Progress

Parking Income		
Advisory	<p>Management should make a decision, in light of the findings within the report, as to what, if any, action will be taken to determine the cause of the variances.</p> <p>Consideration should be given to the cost effectiveness of investigating the variances alongside the expected timeline for replacing the current machines with cashless meters.</p>	Advisory
Pro-Active Data Matching (AP and Payroll)		
Advisory	Management should consider if current processes to locate individuals effectively utilise existing information held internally within the Council, before instructing external tracing agencies and incurring these additional, potentially avoidable, costs. This could include utilising the Council's Data Warehouse resources.	Advisory
Advisory	Management should consider whether there are any potential risks arising from the finding regarding the accuracy supplier data.	Advisory
Project & Programme Governance		
Medium	<p>Existing guidance, including the Project Board Terms of Reference template should be amended to reflect that Finance should be part of the project board attendees to ensure that the project costs / budget are being regularly reported and finance are there to provide scrutiny and highlight any potential financial risks to the project budget arising from new emerging risks / slippages in project completion etc.</p> <p>Guidance should also clearly set out expectations regarding the alternative arrangements for storing documentation outside of Verto (based on outcome of Recommendation 1).</p>	Implemented
Medium	Skills audit of those designated to manage projects should be undertaken to assess training needs and identify skills gaps.	Due Date: September 2023
High	<p>SLT took the decision to adopt the use of Verto as its single PMO monitoring and reporting system.</p> <p>In order to address the non-compliance issues arising from this report, SLT should make the following decisions:</p> <ul style="list-style-type: none"> • To decide at what point the non-compliance culture will have a consequence / the level of non-compliance SLT are willing to tolerate. • To formally delegate responsibility for monitoring and reporting of non-compliance to an independent team (ideally PMO). • To decide on the future scope of the PMO role and ensure it is adequately resourced to deliver on expectations. 	Due Date: July 2023

Property Buy-Back		
Advisory	A full and accurate record of all properties sold under Right to Buy should be maintained, with a view to also rectifying historic errors in data, allowing for future reviews and data matching exercises to be undertaken which may strengthen the control environment.	Advisory
Medium	The use of an online approval system, within the property purchase process, should be formally investigated to determine whether there is scope to improve efficiency against the current email process for approvals.	Underway Due Date: August 2023
PSL Follow Up		
Advisory	Management are advised to ensure that all teams are aware of the division of responsibilities related to the process of updating / maintaining the compliance information within Key Stone, from initial engagement of the landlord through to addressing non-compliant landlords. These responsibilities should be clearly documented and communicated / distributed to all relevant Housing teams.	Advisory
Medium	The Procurement procedures should be amended to ensure the control process for checks is fully documented and to provide clarity as to when checks should be applied.	Due Date: July 2023
Advisory	The Service are advised to ensure that the issues identified as part of this recommendation are adequately reflected in the Housing Directorate Risk Register.	Advisory
SEND Transport		
High	An SLA between PTS and CAD is agreed by all parties and finalised. This should include measurable outcomes that are regularly monitored for compliance, reviewed and updated to ensure it continues to be fit for purpose.	Implemented
High	CAD Management should seek assurance from all relevant departments involved to ensure that all appropriate due diligence has been undertaken on the companies currently transporting service users, particularly with regard to the requirement for relevant Health and Safety training and DBS checks. These checks should occur regularly to take into account new drivers.	Implemented
Medium	Implement a programme to actively promote the option of fuel reimbursement to parents as alternative travel provision.	Implemented

Advisory	Management should consider the benefits of implementing a temporary secondary approval at an appropriate senior level for the transport provided to the child/ young person; particularly for the provision of a taxi, as this is generally the least cost effective method of travel.	Advisory
Advisory	Management should consider whether to include an annual review of the transport provision for each child/ young person, alongside the EHCP annual review process. This would help to determine: <ul style="list-style-type: none"> • Whether the travel provisions in place for each child / young person are the best options to meet their individual needs; • Whether the needs of the child / young person have changed; and • Any potential benefits to the child / young person progressing to more independent methods of travel is possible. 	Advisory
Medium	Management should review the Post-16 provision in the current Transport Policy.	Implemented
Medium	Service to seek additional or alternative providers for travel training with a view to expanding the current capacity.	Implemented
High	TfL are contacted, formally and in writing, to confirm that the taxi companies in use all have current TFL Private Hire Operator Licenses.	Implemented
Medium	The benchmarking exercise that was underway in early 2022 should be resumed to ensure that the Council are obtaining comparative data to assess the current position with regard to service demand and costs.	Implemented
High	The budget should be reviewed and realigned if necessary to reflect the service demands.	Implemented
Service Charges		
High	In order to ensure that the charges and calculations in relations to grounds maintenance are correct, work should be undertaken to ensure that the Council has an accurate record of the current grounds maintenance requirements for Housing.	Due Date: October 2023
High	Management to consider the risk impacts of this increasingly failing CCTV service.	Implemented
High	Review of the Schedule of Rates in relation to grounds maintenance services to ensure that the cost of service delivery is an accurate reflection of the costs passed on the tenants/ leaseholders.	Due Date: October 2023

High	The Grounds Maintenance Services SLA between Housing and Public Realm should be annually reviewed, updated and formally agreed by both services.	Implemented
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4 Schools Programme

- 4.1 There are currently 42 borough maintained schools within Havering. Of these, 27 schools will have received a triennial audit between the financial years 2020/21 – 2022/23. The remaining 15 maintained schools were assessed on the assurance given at their last triennial audit and considered to be low risk; therefore a triennial audit was not delivered as part of the three year rolling programme. These schools have received at least one health check since their last triennial visit, and 12 are scheduled to be reviewed as part of the 2023/24 audit plan.
- 4.2 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 5.4 below.
- 4.3 Assurance opinions are given for each school report. Currently, the schools who were due to be audited in 2022/23 have received their Triennial audit, with all receiving Reasonable Assurance.
- 4.4 Recommendations raised during the 2022/23 audits identified some common themes across multiple schools:
- Orders should be raised on the finance system before the invoice is received;
 - Only authorised users should have access to the FMS Finance system ; and
 - Financial thresholds in the Finance Policy should be reviewed and updated.
- 4.5 During 2022/23, the service delivered seven Health Checks, generating total revenue in year of £6,713. To date, 13 schools have purchased Health Checks for 2023/24.
- 4.6 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.

5 Counter Fraud

- 5.1 **Corporate Fraud** - The Council has a zero tolerance approach to fraud and the work of the Fraud Team supports this priority. The team offers both a criminal, proactive and reactive support service. The team have looked into 19 cases this financial year, including current investigations, into allegations of theft, procurement/contractor fraud and employee/consultant working practices.
- 5.2 **Housing Fraud** - The Council take a zero tolerance approach to tenancy fraud and have 68 open investigations. The team will investigate all allegations of tenancy fraud and take action where we have sufficient evidence that fraud has taken place. This action can include a criminal prosecution and/or a claim for possession of the property through civil courts; we will always look to make a claim for any legal costs occurred as well as any relevant compensation due.
- 5.3 The team check on average 8 RTB applications per month to ensure that the Council are not losing stock fraudulently.
- 5.4 Proactive Counter Fraud Investigations

Proactive work undertaken during 01/04/2022 to 31/03/2023 is shown below:

Description	Risks	Number Received
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance.	21
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc	8
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately.	7
FOI Requests	To undertake all Freedom of Information (FOI) Requests.	4
National Fraud Initiative Data Upload	To co-ordinate the data upload for the 2022/23 NFI. All data has been uploaded in accordance with the NFI Specification. 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.	Matching has now been completed and the results are now under review.

5.5 Reactive Investigation Cases

Eight referrals were brought forward from the previous year and 11 cases were received during the year. Of the 19 cases:

- Three cases resulted in a disciplinary investigation;
- Three cases were passed to Management for action;
- Five are still under investigation; and
- Eight cases have been investigated where there was no case to answer.

5.6 Housing Cases

The following table illustrates the work undertaken in relation to housing fraud and right to buy (RTB) applications:

Description	2021/2022	2022/2023
Number of referrals investigated	91	123
Properties recovered	6	10
Notional Saving	£108,000	£180,000
RTB checked	146	101
RTB stopped	2	5
Notional Saving	£225,600	£581,000
Total Notional Saving	£333,600	£761,000

5.7 The following table illustrates the breakdown of cases:

Description	2022/23
Number of referrals brought forward	60
Number of new referrals retained for investigation *	63
Number of referrals currently under investigation	68
• Notice To Quit (NTQ) / Surrender of Tenancy (SOT) issued	7
• Pending bailiff action / Awaiting Eviction	2
• Passed to Legal Services for Criminal / Civil Proceedings	10
• Awaiting Court Hearing	2
• Open Investigations	47
Number of completed (Closed) investigations	55
• Properties Recovered	10
• RTB stopped **	5
• Criminal Prosecution	1
• Homeless Duty Discharged / Stopped Change of Tenancy	2
• NFA	28
• No Offence	9

Key: * Total number of referrals received and triaged is 152. However, only 63 are being investigated as the remaining referrals do not get investigated by the Counter Fraud Team, e.g. Housing Benefit, other LA's.

** Total number of RTB's referred and reviewed is 101

NB: Housing Services refer Mutual Exchanges to the Counter Fraud Team to review. A total of 58 Mutual exchanges have been referred and reviewed. One had been retained for further investigation but has since been closed.

6 Risk Management Arrangements

- 6.1 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 (GAB), reviewed by SLT and progress reported to the Audit Committee. Work continued during 2022/23 to review the risks, overseen by the GAB to ensure that the corporate risk register reflects the risks facing the Council. During 2022/23 Internal Audit have continued to implement the JCAD Risk System, provided training to Directorates and ensured that Directorate risk registers have been added to the system. Work will continue during 2023/24 to support the general risk management processes.
- 6.2 The risk management strategy and supporting policies are reviewed regularly to ensure they remain relevant to the Council's systems and procedures, and will be approved by the Audit Committee biannually.

7 Governance Arrangements

- 7.1 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.

8 Audit Committee

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

Audit Title – LBH Systems Audits	Opinion / Status as at end Q4	Recommendations			
		H	M	Adv	Total
Governance Arrangements (Highways)	Completed – Advisory review				
Pro-active Data Matching Exercise (Accounts Payable and Payroll)	Reasonable	0	0	2	2
SEND Transport	Limited	4	4	2	10
Contract Management - Cash Collection	Limited	3	1	0	4
Direct Payments	Reasonable	0	4	2	6
Housing – Property Buy-Backs	Reasonable	0	1	1	2
Supported Families (Q1 Review)	n/a	n/a	n/a	n/a	n/a
Supported Families (Q2 Review)	n/a	n/a	n/a	n/a	n/a
Supported Families (Q3 Review)	n/a	n/a	n/a	n/a	n/a
Supporting Families – Year End Assurance (Inc. Q4 review)	Reasonable	0	0	0	0
DPIA Compliance - CCTV (ICT Governance) Phase 1	Completed	n/a	n/a	n/a	n/a
DPIA Compliance - CCTV (ICT Governance) Phase 2	Limited	3	0	0	3
Projects and Programmes	Limited	1	2	0	3
Housing – Service Charges	Limited	4	0	0	4
Voids – Follow Up	Limited	2	0	0	2
Payroll Follow Up (Compliance - Key Financial)	Limited	3	0	0	3
Licensing – Process Review	Reasonable	0	0	1	1
Potential Data Breach Investigation	Completed	n/a	n/a	n/a	n/a
Cash Collection (Parking)	Completed	0	0	1	1
Contract Management – Environment (Phase 1)	Completed	n/a	n/a	n/a	n/a
Mayors Appeal Fund	Completed	n/a	n/a	n/a	n/a
Complaints Process (risk assessment)	Completed	n/a	n/a	n/a	n/a
Social Care Contract Award Follow Up	Reasonable	n/a	n/a	n/a	n/a
SEND Transport Follow Up	Reasonable	n/a	n/a	n/a	n/a
Private Sector Leasing (PSL) Follow Up	Reasonable	0	1	2	3
Housing - Compliance	Reasonable				
Contract Management – Environment (Phase 2)	Completed	n/a	n/a	n/a	n/a
Procurement – Traded Services	Completed	n/a	n/a	n/a	n/a

Waivers	Draft Report	Moved to 2023/24 Plan			
Procurement Summary	Draft Report	Moved to 2023/24 Plan			
Faster Payments (duplicate payments)	Draft Report	Moved to 2023/24 Plan			
Supplier Creation (Compliance – Key Financial)	Underway	Moved to 2023/24 Plan (to incorporate into Governance and Culture Compliance area)			
Housing – Responsive Repairs	Underway	Moved to 2023/24 Plan			
Planning	Added to 2023/24 Audit Plan				
Public Realm – Risk Mapping Phase 2	Added to 2023/24 Audit Plan				
Continuing HealthCare	Added to 2023/24 Audit Plan				
Highways Services (including Contract Management)	Added to 2023/24 Audit Plan				
Joint Ventures – Governance & Compliance	For consideration in 2023/24 Audit Plan				
Safeguarding Adults	Removed following risk assessment with Director				
Audit Title – LBH Schools Audits					
Scotts Primary	Reasonable	0	1	1	2
St Ursula’s Catholic Primary	Reasonable	0	4	0	4
The RJ Mitchell Primary	Reasonable	5	5	0	5
Parklands Primary	Moved to 2023/24				
Academies					
Emerson Park Academy	Reasonable	0	1	3	4
Shaw Primary Academy	Reasonable	0	2	0	2
Health Checks					
Health Checks (15)	8 Completed	7 moved to 2023/24			

IMPLICATIONS AND RISKS

Financial implications and risks:

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

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:

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 considered by the relevant committee or by full Council. This report seeks to comply with that statutory obligation and there are no apparent risks in considering the end of year 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.

Climate Change implications and risks:

None arising directly from this report. Risks around this are reflected in the Corporate Risk Register, added into the Internal Audit Plan and incorporated into the scope of audits where relevant.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share

protected characteristics and those who do not, and;
(iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.