



# Haverling

LONDON BOROUGH

## AUDIT COMMITTEE AGENDA

<b>7.00 pm</b>	<b>Tuesday 14 May 2024</b>	<b>Appointment Centre Room 10 &amp; 11, Town Hall, Romford</b>
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Members 7: Quorum 3

**COUNCILLORS:**

<b>Conservative Group (3)</b>	<b>Haverling Residents' Group (3)</b>	<b>Labour Group (1)</b>	<b>East Haverling Residents Group (1)</b>
Keith Prince Damian White David Taylor	Julie Wilkes (Chairman) Jacqueline Williams (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 5 - 8)

To approve as correct the minutes of the meeting held on 23 January 2024 (attached) and authorise the Chairman to sign them.

### 6 DRAFT ANNUAL GOVERNANCE STATEMENT 2023/24 (Pages 9 - 30)

Report and appendix attached.

### 7 HEAD OF ASSURANCE ANNUAL REPORT 2023/24

Report attached.

### 8 DRAFT INTERNAL AUDIT PLAN 2024/25 (Pages 31 - 50)

Report and appendices attached.

**Zena Smith**  
**Head of Committee and**  
**Election Services**

# Public Document Pack Agenda Item 4

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE

Appointment Centre Room 10 & 11, Town Hall, Main Road, Romford  
23 January 2024 (7.00 - 8.00 pm)

**Present:**

### **COUNCILLORS:**

**Conservative Group** Keith Prince, Damian White and David Taylor

**Residents' Group** Julie Wilkes

**Labour Group** Jane Keane

**East Havering  
Residents Group**

Apologies were received for the absence of Councillors David Godwin and Darren Wise.

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

### 117 **MINUTES OF THE MEETING**

The meeting minutes of the Committee held on 18 October 2023 were agreed as a correct record and signed by the Chairman.

### 118 **TREASURY MANAGEMENT STRATEGY STATEMENT**

The Committee were presented with The Treasury Management Strategy Statement (TMSS) report that was a part of the authority's reporting procedures as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management (TM) Code and its Prudential code (The CIPFA Prudential Code) for capital finance in local authorities.

The Treasury Management Strategy Statement sets out recently introduced changes to the legislative framework, which were generally designed to place restrictions on authorities' commercial activity.

It was explained that the report fulfilled the authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code/Prudential Code and Government Guidance, and it covered the following:

- The Borrowing and Investment Strategies
- Treasury Management and Prudential Indicators.
- The Borrowing and Investment Strategies
- Treasury Management and Prudential Indicators - there had been a change to the revised CIPFA TM Code and Prudential Code (2021) that would be reported upon in the 2023-24 TMSS. At the time of writing, the report on the capital programme had not been finalised and it was stated that the figures in the report may change before they are presented to Cabinet.

Officers reviewed other economic forecasts and found that there was a consensus that rates are trending down. Officers were in agreement that long term borrowing should be on shorter durations of between 2 and 5 years and then refinance on longer term durations when rates are expected to be lower. Officers are of a view that following further reductions in shorter duration PWLB rates since December the balance has shifted in favour of locking in some long term debt on short durations.

For the reasons set out above the Authority needs to maintain a prudent cash balance to allow it to cover the variability of expenditure. The extent to which borrowing would be required will depend on the movement in cash reserves, working capital, strength of the capital forecast and how much slippage might occur during each financial year.

It is sensible to plan on the basis of covering the inevitable month on month fluctuations in cash balances to avoid what would in effect be an unplanned, and therefore expensive, short-term overdraft. Based on analysis of the monthly cash variations then £40m has been established as an appropriate cash balance or liquidity allowance.

In response to Members enquiry, the Director of Resources and s151 Officer assured the committee of the confidence in terms of what was being proposed regarding the treasury management strategy changes compared to previous strategies. It was stated that it was still very prudent in terms of the approach. The committee noted that what was being proposed was further detail into the liability benchmark in terms of the minimum threshold of cash balances that the local authorities or councils should be maintaining Tertiary. It was stated that the team provided the Director with a weekly update that included an update in terms of lent money.

For the reasons set out in the report and its annexes Cabinet is recommended to agree:

- The Draft 2024/25 TMSS & AIS which will form part of the Budget Report to Cabinet on 7 February and Full Council on 28 February 2024.
- The revised prudential and treasury indicators set out in Appendix 2 and 3 of the report.
- The operational and authorised borrowing limits set out in tables 5 & 6 of appendix 2 of the report.

Under the Havering Scheme of Delegation Part 3 section 3.10.3 the s151 Officer functions are:

To manage the Council's loan debt, investments, and temporary investments, pension scheme and pension fund, insurance fund, act as registrar of loan instruments, manage all banking arrangements including numbers and types of accounts and arrange insurance of property and the selecting and accepting of tenders for insurance cover and related services which are considered to offer best value for the Council promoting good risk management practices at all times.

The Committee **considered, commented** and **noted** the report.

## 119 INTERNAL AUDIT PROGRESS REPORT

The Committee were presented with a report that advised on the work undertaken by the Assurance Service (internal audit and counter fraud) toward delivery of the 2023/24 audit plan, as at the end of December 2023 in support of the Audit Committee's role.

The Annual Audit Plan was presented to Audit Committee in April 2023. The plan was developed in line with the three themes (People, Place and Resources) outlined in the Havering Vision and Corporate Plan. Members are reminded that the 2023/24 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 were made to allow for changes in the risk and operational environment in which the Council operates. The status of the 2023/24 Internal Audit Plan was reported in section 4 of the report.

The report supported 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 provided information on wider issues of interest to the Council's Audit Committee.

The report detailed the following work undertaken by Internal Audit during quarter: LBH Systems, LBH Schools Audits, Counter Fraud Audit Work Housing cases, Status of Internal Audit Plan 2023/24, LBH Schools Audit Programme.

At the meeting relevant Officers were present to answer the questions of Members. In response to a Member question, the Committee received assurance that the CCTV contract is compliant.

The Committee **noted** the contents of the report.

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**Chairman**

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## AUDIT COMMITTEE

### 14 05 2024

<b>Subject Heading:</b>	Draft Annual Governance Statement 2023/24
<b>SLT Lead:</b>	Kathy Freeman, Strategic Director Resources
<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>	This report presents the Draft 2023/24 Annual Governance Statement for comment and approval.
<b>Financial summary:</b>	N/A

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

People making Havering	[X]
Places making Havering	[X]
Resources making Havering	[X]

## SUMMARY

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

The report will update the Committee on progress against the significant governance issues highlighted in 2022/23 and monitored during 2023/24, the status of these issues, and the new issues arising during this period for monitoring in 2024/25.

**RECOMMENDATIONS**

1. To comment on the 2023/24 Draft Annual Governance Statement, attached as Appendix 1.
2. To agree the Draft 2023/24 Annual Governance Statement subject to any changes made as a result of recommendation one.

Appendices:

Appendix 1 – Draft Annual Governance Statement 2023/24

**REPORT DETAIL**

1. The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control.
2. The Annual Governance Statement is prepared in accordance with the requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016).
3. The Council must review its systems of internal control and governance annually and assure itself that its internal control environment is effective. The assurance framework sets out the sources of assurance that are relied upon on to enable preparation of the Annual Governance Statement. These include the work of the internal auditors and of directors and managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also the comments made by the external auditors and other review agencies and inspectorates. The Head of Audit opinion set out in the internal audit annual report forms a key element of the review, as does the Council's work on risk and performance management.

4. The Annual Governance Statement covers all significant corporate systems, process and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure that:
  - the Council's policies are implemented in practice;
  - high quality services are delivered efficiently and effectively;
  - the Council's values and ethical standards are met;
  - laws and regulations are complied with;
  - required processes are adhered to;
  - financial statements and other published performance information are accurate and reliable;
  - human, financial, environmental and other resources are managed efficiently and effectively.
  
5. The AGS is required to disclose any issues that the Council consider to be significant governance issues. There were four significant issues identified in the 2022/23 AGS. Whilst all four have had an evolving action plan during the year, the Executive Leadership Group considered that two remained significant enough to include in the 2023/24 AGS and sufficient progress had occurred to close down the remaining two issues.
  
6. In addition to this, three further significant issues have been identified during 2023/24:
  - Delivery of a balanced budget 2023/24;
  - The Council's responsibility as a data controller; and,
  - The Children's Services Improvement Plan.
  
7. Approval of the Annual Governance Statement should be at a corporate level and should be confirmed by the most senior officer (CE) and member (Leader) signing the statement on behalf of the Council. The Council's Constitution delegates the responsibility for approving the AGS to the Audit Committee. The Audit Committee is required as part of its role to consider any corporate governance related issues that need to be referred to the Governance Committee for review.
  
8. The Annual Governance Statement is subject to audit alongside the Statement of Accounts. The auditors do not give an opinion on the statement as such, but consider whether it reflects their understanding of the Council's governance arrangements obtained through all aspects of their work. They also form a view as to whether the statement adequately discloses any significant governance issues.
  
9. The Draft Annual Governance Statement 2023/24 is attached as appendix 1.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

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

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

### **Legal implications and risks:**

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

### **Climate Change implications and risks:**

None arising directly from this report. Risks around this are reflected in the Strategic Risk Register and incorporated into the scope of audits where relevant.

### **Human Resources implications and risks:**

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

### **Equalities implications and risks:**

None arising directly from this report.

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.

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# **Havering Annual Governance Statement 2023/24**

## **ANNUAL GOVERNANCE STATEMENT 2023/24**

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

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

### **Scope of responsibility**

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

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

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

### **The purpose of the governance framework**

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

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

The governance framework, available on the Havering website and provided in the link below, has been in place at the London Borough of Havering for the year ended 31 March 2024 and up to the date of approval of the statement of accounts. This framework is under review during March 2024.

**[https://www.havering.gov.uk/downloads/file/3000/code\\_of\\_governance](https://www.havering.gov.uk/downloads/file/3000/code_of_governance)**



## Review of governance effectiveness

Outlined below are the arrangements in place to review the effectiveness of the governance framework and the sources of information and assurance on which this statement is based.

### Constitution

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

A cross party constitutional working group (including officers) is currently up and running and is systematically reviewing various sections of the constitution to ensure it is fit for purpose. It is likely that amendments to the planning regulations, the scheme of delegations and the access to information regulations (amongst others) will be presented to governance committee in 2024/25.

The Constitution Working Party reviews the Constitution and includes representation from each political group in its membership. The lead officer for the working party is the Council's monitoring officer.

### Governance and Assurance Board

The London Borough of Havering has an established officer Governance and Assurance Board, which is scheduled to meet monthly, with standing membership, included in the Terms of Reference including:

- Strategic Director Resources / S151 / SIRO (Chair)
- Head of Assurance
- Monitoring Officer (Deputy Director of Legal & Governance)
- Director of Finance (Deputy S151)
- Head of Procurement & Contract Management
- Head of the Programme Office
- Assistant Director of Human Resources & Organisational Development

The terms of reference for the Board (reviewed annually) provide the option to extend membership to meet demands and will regularly invite additional key officers to attend, to address or report on existing and/or emerging governance issues. This Board is charged with monitoring and reviewing the effectiveness of the governance arrangements throughout the year, overseeing the production of the Annual Governance Statement, monitoring progress against significant issues raised as part of this and reviewing arrangements for Risk Management, including the Strategic Risk Register.

The Board reviews the AGS significant issues as a standing item at each meeting and provides an update to Audit Committee on the progress of these issues at least once during the year. Emerging governance issues are also considered during the regular review of governance arrangements that takes place at each meeting. The role and membership of this board is under review during quarter four of 2023/24.

## Senior Leadership Team (SLT)

During 2022/23, the Senior Leadership Team (SLT) consisted of the Chief Executive, five Directors with responsibility for Regeneration, Neighbourhoods, Children's Services, Adult Services & Health and Public Health. Interim arrangements were in place to cover the portfolio of the Chief Operating Officer, including arrangements for statutory S151 role.

On 14<sup>th</sup> March 2023, the Chief Executive launched a senior restructure linked to the launch of a new Target Operating Model (TOM) for the Council. The consultation concluded on 31<sup>st</sup> March 2023 and the restructure resulted in three Strategic Directors; Director of Place, Director of Resources and S151 Officer and Director of People. All Strategic Directors report directly to the Chief Executive, alongside the Director of Starting Well (Statutory Director of Children's Services). The remaining Directors and Assistant Directors have reporting lines to the Strategic Directors. A copy of the senior structure chart is available here [Final-Structure-Tier12-with-names-231207-v17b.pdf \(havering.gov.uk\)](#).

As a result of the restructure, titles of the senior team changed as follows:

Senior Leadership Team (SLT) (Directors) became the Executive Leadership Team (ELT) and Corporate Leadership Team (CLT) (Assistant Directors and above) became Executive Leadership Group (ELG).

## Governance Committee

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

## Audit Committee

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

## Overview and Scrutiny

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

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

The Overview and Scrutiny Board and its sub-committees have the opportunity to consider performance information within their area of responsibility using relevant performance data and other tools such as the Council's Forward Plan.

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

## Local Pension Board

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

This established Board holds quarterly meetings and an annual general meeting. During 2023/24 the Board met on 25 April 2023, 11<sup>th</sup> July 2023, 10 October 2023, 21<sup>st</sup> November 2023 and 27<sup>th</sup> February 2024. The Annual General Meeting was held on the 16 September 2023. The Board produced an Annual Report for 2022/23, which sets out the work and training activities undertaken during the year. This report was presented to the Pensions Committee, for noting, at its meeting on the 7 November 2023. The report for 2023/24 is in production and expected to be presented to the Pension's Committee later in 2024.

The Pension Fund's Governance Compliance statement also incorporates the Local Pension Board, which is reviewed annually and reports the extent of compliance against a set of principles, this was presented to the Pensions Committee on the 7<sup>th</sup> November 2023.

## Internal Audit (Assurance Services)

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

From the work undertaken during 2023/24, 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 2022/23 view. However, it should be noted that the reasonable assurance opinion contains one significant issue, as highlighted in the 2022/23 statement, detailed below:

- Procurement and contract management continues to be an area of ongoing risk, particularly with the challenging financial position the Council faces.

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

## Risk Management

The strategic risks to the achievement of the Authority's objectives are captured within a strategic risk register which is overseen by the Governance and Assurance Board and progress reported to the Audit Committee. Work has continued during 2023/24 to review risk registers and the Governance and Assurance Board and the Executive Leadership Group has overseen this process to ensure that the strategic risk register reflects the risks facing the Council.

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.

## External Inspectors

The Council is subject to review and appraisal by a number of external bodies; results of such reviews are considered within the performance management framework. The work of the Council's External Auditor, currently Ernst and Young (EY) is reported to the Audit Committee.

The council published its draft statement of Accounts for 2022/23 on 31 May 2023 in line with the deadline. As with many other local authorities the audit of the 2020/21, 2021/22 and 2022/23 accounts is not yet completed. This is due to well publicised resourcing issues. The Government and the National Audit Office recently issued a consultation on addressing the backlog and legislation is expected in due course. No governance issues have been raised.

## Information Commissioner's Office

The Council must comply with the UK General Data Protection Regulation, Data Protection Act 2018, and Freedom of Information Act 2000. In the financial year 2023/24, all data breaches that met the required threshold were reported to the Information Commissioner's Office (ICO) and no fines were imposed for weak controls. There were:

- 89 data breaches reported between 1<sup>st</sup> April 2023 and 20<sup>th</sup> March 2024
- 3 breaches reported to the ICO (ICO are taking no further action on these but have made recommendations)

Although a number of data breaches did occur, staff followed the necessary processes to report these and ensure appropriate controls were in place to mitigate any impact.

We continue to develop and improve processes and use mistakes and data breaches to inform those improvements to ensure we uphold Individual Information Rights (IIR) and process all personal data compliantly. Furthermore, we continually strive to improve processes and compliance with Freedom of Information Act requests. We also focused on improving staff awareness of GDPR and cyber security responsibilities through the mandatory L&D material. An average of 89% of staff have completed all required modules. The aim is 95% completion rate with a 5% tolerance for changes in staff numbers. This is monitored at the Information Governance board and a renewed push to complete this training will commence with the next round of PDR setting.

## Ombudsmen

The Council comes within the jurisdiction of the Local Government and Social Care Ombudsman (LGSCO). In 2022/23, there were nine cases raised with the Ombudsman. Of these, three were

identified as “maladministration & injustice” and the remaining six cases were closed after initial enquiries, with no further action taken.

## Complaints

In 2023, the council initiated a comprehensive transformation program aimed at enhancing the handling of complaints, Freedom of Information (FOI) requests, Environmental Information Regulations (EIRs), and Subject Access Requests (SARs). This multifaceted program involved several key actions:

1. **Team Consolidation:** The council merged various teams and services, streamlining their efforts to create a more efficient and cohesive approach.
2. **Policy Simplification:** Previously, there were four disparate policies governing these processes. As part of the transformation, these policies were consolidated into a single, clear, and user-friendly document. This unified policy ensures consistency and simplifies understanding for all stakeholders.
3. **Streamlined Complaints Process:** The transformation program aimed to streamline the complaints process. By doing so, it became more straightforward for complainants to navigate and for the council to address issues promptly.
4. **Introduction of a CRM System:** To enhance efficiency and accountability, the council implemented a new Customer Relationship Management (CRM) system. This system allows for better tracking and monitoring of activities related to complaints, FOIs, EIRs, and SARs.

Overall, this transformation program represents a significant step toward improving transparency, responsiveness, and effectiveness in managing these critical aspects of council operations.

## Local Government Association (LGA) Independent READI Peer review

The foundation for the READI Review was identified through the [Independent LGA READI Review](#). The current READI programme team has been in place since mid-August 2022 with the last report update provided at the end of October 2022 to the Equality, Diversity and Inclusion Cohesion (EDIC).

The READI team has allied with diverse colleagues across the council working in different gears and approaches to understand what is needed to bring system level changes; to develop understanding, learning, win hearts and minds, enabling our colleagues to go on their own journeys ascribing to READI with relevance to their job roles.

This has been achieved through listening circles, self-learning opportunities, Allyship workshops, staff forums promotional activity, building on our online learning platforms and face-to-face workshops.

The council has established a 15 areas of activity action plan which is integrated into everything that the council does, the work that all our colleagues deliver for us and the positive outcomes we achieve for our residents. This is supported by a central READI resource that facilitates on-going strategic dialogue, provides advice and support and shares good practice across the organisation.

EDIC monitors the progress and actions set out in the 15 READI objectives. The group brings together equality and special interest leads from each of the council’s service areas and each of the staff network groups. The READI programme team seeks to work with all colleagues across the

council to deliver the council's vision of "The Havering you want to be part of" and clear equality outcomes.

The EDIC's purpose is to provide support, advice, assurance and governance to ensure that the council meets our duties as defined in the Equality Act 2010, develop and implement READI related Policies and Action Plan and provides a forum for discussion on matters relating to EDI. EDIC meets on a monthly basis and is chaired by the Director for Policy, Strategy and Transformation. The Group's membership comprises representatives from each directorate within the Council, including HR (Human Resources), Public Health, Communications, Regeneration, Housing, Adults and Social Care, Children's Services, and also trade unions and the Staff Forums. It provides an oversight rather than manages and tracks the progress of the READI action plan.

At corporate level, we are learning to build the right foundations to get the right outcomes. READI is strategically and structurally assimilated in all that we do. Examples of this include, setting the agenda and holding to account through EDIC (Equality, Diversity, Inclusion and Cohesion Board), driving implementation and strengthening enablers through EQHIA (Equality and Health Impact Assessment), using data where it is available to understand trends, communications, organisational development learning to support our staff deliver best practice and succession planning, staff networks investing interests for all our colleagues. Planning meetings have already taken place to ensure the latest census data informs our EQHIA process.

## Modern Slavery

Councils have a statutory key role to play in tackling modern slavery including the duty to notify the Home Office of any individual encountered who we believe is a suspected victim of modern slavery or human trafficking. Part of the commitment to the modern slavery Act 2015 requires an annual transparency statement is to be written by every company with an annual turnover of £36m or more-which includes us. The statement should set out what it has done to ensure that slavery and human trafficking is not taking place in the Council or its supply chain. In summary the Councils role can be separated into four distinct areas:

1. identification and referral of victims
2. supporting victims – this can be through safeguarding children and adults with care and support needs and through housing/ homelessness services
3. community safety services and disruption activities
4. ensuring that the supply chains councils procure from are free from modern slavery

The refreshed statement will be published once approved at Governance board, which outlines the risks identified in relation to modern slavery this year. Following the Target Operating Model throughout 2023/24, updating the documentation was not completed, so this will now take place in 2024/25. Actions for all identified risks will be put into place and associated steps will be included in the statement.

## Progress of significant governance issues raised in the 2022/23 AGS

The issues identified in the 2022/23 Annual Governance Statement have been monitored by management and the Governance and Assurance Board throughout the year with review periodically to challenge actions and progress by both the Executive Leadership Team and the Audit Committee. Whilst progress has been made during 2023/24 in each of the areas identified in the 2022/23 AGS and the decision made to close two issues, all other issues were considered to have remained significant enough to be carried forward into the action plan for 2024/25, with some amendments and with the addition of a further two Significant Governance Issues.

The issues closed as at the end of 2023/24 and the actions taken to address these are included below:

### 1. Delivery of a balanced budget 2023/24:

The Council was able to set a balanced budget for the 2022/23 financial year. As set out in the report to Council at the start of the year there continues to be pressure over the medium term to the Council due to increased service demand and demographic pressures while available resources are reducing. As outlined in the budget setting report for 2022/23 approved in March 2022, uncertainty around many aspects of the future funding model for Local Government remains a challenge in the medium term. However over and above all this sits the ongoing implications of the COVID19 pandemic and the impact on the service delivery of the council. Reports to the council's cabinet throughout the year highlighted the spending pressures and the actions being taken to address them, including scrutiny of savings delivery and social care costs. The challenges facing the national economic position added to the challenges on the budget and will be closely monitored during the year. The situation identified as part of the council's in year monitoring processes in the first half of the 2023/24 financial year have established the scale of the future challenge and the council has increased the measures being taken to control expenditure.

### Actions taken during 2023/24

- Monthly reports provided to the Senior Leadership Team outlining anticipated outturn for the financial year, assisting in identification of Medium-Term financial pressures and opportunities.
- Regular update of the Medium-Term Financial Strategy and overarching financial position provided to Cabinet throughout the year.
- Continued delivery of the transformation and modernisation programme with theme board focus on core business and transformation delivery.
- Close monitoring of the revenue and capital plans and scrutiny of the balances and reserves of the council is included in the monitoring reporting, including the potential impact on the collection fund and forecast for year-end position.
- Regular reporting to Cabinet and Overview and Scrutiny Board on the sustainability of the MTFS has taken place including the position in reserves, taking in to account the impact on the base assumptions and the changing demographics and demand.
- A balanced position for the 23/24 budget and a revised MTFS was presented to cabinet in February 2023 and Council in March 2023.
- Continue to monitor the impact of the changing demographics and increasing demand on the financial standing of the organisation and the MTFS which is reviewed as part of the corporate monthly monitoring process.
- Ongoing Recovery plan in place to control spend including introduction of a recruitment panel, regular reviews of agency levels, stopping all but essential spend, Social care placement panels and reviews of income and fees and charges
- The 24/25 budget process took account of the full year impact of the emerging pressures in 2023/24
- The budget and MTFS is reviewed as required to verify key assumptions/delivery plans.

- Continued focus on the delivery of the corporate recovery programme including savings delivery and close monitoring of the revenue and capital plans.
- Challenge and review of the adults and children's social care budget assumptions and the assumptions on temporary accommodation
- Senior Leadership continue to monitor the MTFS and the recovery plan to ensure the sustainability of the Council's finances.
- The ongoing element of the overspend was fully incorporated in the 24/25 budget process. As part of that process the Council requested and was granted exceptional financial support which covered not only 24/25 but £21.2m in recognition of the 23/24 overspend. The Council has low levels of both earmarked reserves and general balances and DLUHC recognised that exceptional financial support would be needed to support the outturn position in order to maintain reserves and balances at a safe level

#### **Status as at 31<sup>st</sup> March 2024**

The Council significantly overspent its budget at the end of 2023/24 due to significant demand led pressures arising throughout the financial year. The service overspend is currently forecast as £30m, which over 80% of this arising from the People directorate due to demands in Live Well, Start Well and Age Well budgets.

During the course of the year, officers provided members with regular reports on the Council's financial situation including budget monitoring reports, capital monitoring, quarterly Pension Fund investment updates, treasury management updates, internal audit progress reports to Audit Committee, Pensions Committee, Overview and Scrutiny Board, Cabinet and Full Council where appropriate. Members and officers also provided several information briefing sessions on the Council's Medium Term Financial Strategy, income and assumptions clearly setting out the funding deficit for the Council. Through a more in-depth and thorough review of the constantly changing demand profile for our services, it was identified that the Council would require additional exceptional financial support in respect of the current financial year and to also support the 24/25 budget setting process.

A number of actions listed above will continue into the 24/25 financial year.

**Lead Officer: Strategic Director, Resources**

**2. Joint Venture Governance:** Circumstances that have arisen at other councils have highlighted the importance of monitoring the sustainability of significant regeneration programmes.

#### **Actions taken during 2023/24**

- Joint venture boards are regularly held.
- Regeneration group was established to manage and monitor the progress of the joint venture schemes.
- Programme dashboards are produced including progress of key deliverables and future milestones, key risks and issues.
- Business plans refreshed and reported to cabinet and implications included in MTFS.

#### **Status as at 31<sup>st</sup> March 2024**



This significant governance issue is considered closed, based on the actions taken above.  
Delivery risks will continue to be managed and monitored through the risk register process.

## Significant governance issues 2023/24 (to be addressed in 2024/25)

### 1. Delivery of a balanced budget 2024/25:

The Council was able to set a balanced budget for the 2023/24 financial year. The Council's monitoring process of the 23/24 budget identified at an early stage that there would be a likely ongoing overspend due to the continued pressures on the social care budgets and the emerging temporary accommodation pressure. The MTFS process reviewed the ongoing nature of these pressures and ensured that the development of the 24/25 budget included full recognition of those ongoing pressures. The process included the development of £15.3m of savings which were included in the 24/25 budget.

It became apparent at an early stage that as an efficient Council with low unit costs the Council was going to struggle to balance the 24/25 budget without requesting exceptional financial support from the Government. The Council acted quickly and entered into continued dialogue with DLUHC on this subject. The development of the budget set out the future pressures of the Council and the savings and increases in Government support from the 24/25 finance settlement. Despite £15.3m of savings the Council had a remaining £32.5m budget gap which was presented to DLUHC in a request for exceptional financial support. DLUHC agreed to this request and the budget is underpinned using this Capitalisation directive

It should be noted the Council has taken a sensible and prudent approach to budget setting and included a most likely and worst case scenario in its forecasting. The Capitalisation directive sensibly was based on the worst case scenario but the Council will be aiming over the coming months to contain spend towards the most likely scenario which will reduce the level of exceptional financial support it may ultimately need at year end. This will be monitored very closely as it will be also pivotal to the development of the 2025/26 budget

### Actions taken during 2023/24

- Monthly reports provided to the Senior Leadership Team outlining anticipated outturn for the financial year, assisting in identification of Medium-Term financial pressures and opportunities.
- Regular update of the Medium-Term Financial Strategy and overarching financial position provided to Cabinet throughout the year.
- Detailed monitoring of the financial standing of the Council and MTFS included as part of the corporate monthly monitoring process, and compliance with the MHCLG /DLUHC reporting requirements on expenditure, loss of income and impact on savings proposals was achieved.
- Quarterly reports to Cabinet on revenue and capital monitoring
- Close monitoring of the revenue and capital plans and scrutiny of the balances and reserves of the council is included in the monitoring reporting, including the potential impact on the collection fund and forecast for year-end position.
- Regular reporting to Cabinet and Overview and Scrutiny Board on the sustainability of the MTFS has taken place including the position in reserves, taking in to account the impact on the base assumptions and the changing demographics and demand.
- A balanced position for the 23/24 budget and a revised MTFS was presented to cabinet in February 2023 and Council in March 2023.
- Continue to monitor the impact of the changing demographics and increasing demand on the financial standing of the organisation and the MTFS which is reviewed as part of the corporate monthly monitoring process.
- The budget and MTFS will be reviewed as required to verify key assumptions/delivery plans.
- Continued focus on the delivery of savings and close monitoring of the revenue and capital plans.
- Challenge and review of the adults and children's social care budget assumption and continued updates on the pressures facing temporary accommodation

- Senior Leadership continue to monitor the MTFS and the recovery plan to ensure the sustainability of the Council’s finances.
- A series of spending controls put in place to contain spend. These controls will continue into 24/25
- Controls include a recruitment panel to oversee all posts to be recruited to and regular reviews of agency spend
- All managers to review and curtail any non essential spend
- All managers to hold vacancies where possible and cover internally rather than recruiting or getting agency cover
- Production and delivery of the Council’s Transformation and Productivity Plan which will include:
  - Full analysis and updates on saving and efficiencies the Council is currently actioning
  - Robust data driven forecasting of future pressures to enable accurate modelled financial forecasting
  - Continued transformational activity to modernise the Council’s outputs including a digital strategy which will in the medium term deliver efficiencies
  - A capital strategy to deliver the accommodation and regeneration needed to meet future needs which will ultimately relieve pressure on the general fund
  - A robust response on the actions taken following the recent OFSTED judgement setting out the Council’s approach to the recommendations in that report
  - A Communications strategy to raise awareness with the Public and Key stakeholders of improvements to Council Services and how to access them

**Planned actions for 2024/25**

- Robust baselining of all budgets including metrics
- Accurate monitoring of the cost drivers linked to financial pressures in order to fully understand emerging budget pressures
- Action plans set up where necessary to ensure delivery of the savings included in the 24/25 budget
- Robust planning approach to future years testing all MTFS assumptions and enabling timely service options to generate savings and efficiencies
- Monthly reporting of the revenue budget position to Councillors
- Quarterly monitoring reports to cabinet on capital and revenue
- Ongoing dialogue with DLUHC to raise awareness of the Councils continued financial position
- Reports to DLUHC as required to meet all requirements of the Capitalisation Directives
- Forward planning of the 25/26 position including dialogue with DLUHC at an early stage the likelihood of a further requirement for exceptional financial support
- S151 Challenge meetings set up to provide service challenge on revenue and capital budgets

**Lead Officer: Strategic Director, Resources**

**2. Council’s ability as a data controller to comply with, and demonstrate compliance with, all the data protection principles, UK GDPR requirements and ensuring compliance of our data processor(s).**

**Actions taken during 2023/24**

- Established Information Governance Board meets regularly, presented reports on data breaches to understand trends
- Review and update of Information Governance policies

- Monitoring of completion of mandatory GDPR training and Information Governance policy acceptance
- Continuation of information risk project

#### Planned actions for 2024/25

- Enhanced audit and validation of BCP arrangements and Application Management/Ownership at Directorate and Service level during 2024/25.
- Further actions will be included within the mitigation plans within the Strategic and Directorate Risk Registers, monitored through Governance and Assurance Board and ELG.
- Creation of fit-for-purpose Records of Processing Activity (RoPA) and Information Risk management processes agreed with Directorates

**Lead Officer: Strategic Director, Resources**

**3. Procurement:** Weaknesses in the governance arrangements for procuring goods and services may be compounded by resourcing issues and new link with commissioning following the implementation of the Target Operating Model, and changes to the scheme of delegation and new regulations in 2024.

#### Actions taken during 2023/24

- Established the LB Havering Gateway Review Group to manage and govern the procurement programmes of the council.
- The Havering sovereign procurement service is now in place and a new Head of Service has been recruited (starting 1<sup>st</sup> May 2024)
- The Council's constitution has been reviewed and changes accepted in March 2024, the implementation of these changes is a pre-cursor to updating the Contract Procedure Rules (CPRs).

#### Planned actions for 2024/25

- Since the Council's Constitution has been re-written, the CPRs can now be reviewed and changes proposed.
- In line with the upgrade of the Council's intranet platform there will be renewed focus on self-service and training for managers across the Council in their obligations around procurement and compliance for procurements above and below threshold. Initiate training, videos, drop-in sessions etc. Training has been run for new managers, we will have regular drop-in sessions when we launch new guidance or processes, review intranet pages and ensure templates and guidance notes are up to date and processes are as streamlined as possible.
- Constitution review to include procurement aspects.
- Implementation of a Corporate Procurement and Commissioning Board to replace GRG.
- A new process for Procurement Initiation Forms and waivers, utilising new technology and governance arrangements has been developed and will be launched in early 2024/25.
- Launch of a Procurement Forward Plan for Havering, to increase visibility, reduce bureaucracy and manage demand within the team, following full Director approval in early 2024/25.

- We will adopt a new approach to monitoring Value for Money and Social Value delivered against what is promised
- We will review roles and responsibilities to ensure the Havering Procurement Team meet the business requirements in terms of Contract monitoring and management, and links with transactional services and HR to ensure end-to-end processes are as efficient as possible.
- Implementation of Internal Audit recommendations
- Learning from best practice
- We will plan and prepare for the new Procurement regulations that are due to come into place later this year.

**Lead Officer: Strategic Director, Resources**

#### **4. Inadequate judgement outcome of Starting Well's Social Care Department following Ofsted's Inspection of Local Authority Children's Services (ILACS) in December 2023 – and corresponding Children's Services Improvement Plan.**

##### **Actions taken during 2023/24**

- Corporate financial investment of £8m growth to address demand pressures on services including development of two additional social work teams to address high caseload concerns.
- Strengthening of resources in the Multi-Agency Safeguarding Hub (MASH) to ensure effective application of thresholds
- Revised and strengthened Quality assurance framework launched and embedded
- Recruitment of an Improvement team
- Development of a new structure for Children's Social care launched in April 2024
- Development of a practice improvement board chaired by an Independent chair launched in March 2024
- Meetings with DfE and Ofsted in relation to intervention notice.
- Relaunch of Child in Need, Child protection and Child in care permanence panels

##### **Planned actions for 2024/25**

- Development of fully costed Improvement plan through workshops with staff, partners and parent forums to be submitted to Ofsted and the DfE by end of May 2024 ratified by full council by July 2024
- Further corporate investment of £13.2m
- Completion of Phase one of the Starting Well reorganisation to deliver improvements by end of July 2024.
- Recruitment to permanent AD posts within Starting Well by August 2024
- Launch of Phase two of the Starting well reorganisation by October 2024
- Review of processes and forms within the Case Management System (Liquid Logic) to reduce inefficiencies
- Development and rollout of a programme of thematic training for staff, managers and supervisors to support practice improvements
- Improvement programme in line with improvement plan delivered before Ofsted first monitoring visit in October 2024

**Lead Officer: Tara Geere, Director of Starting Well**

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

**Conclusion**

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

**Signed:**

Leader of the Council ..... Date.....

Chief Executive ..... Date.....

## AUDIT COMMITTEE

### 14 05 2024

<b>Subject Heading:</b>	Draft Internal Audit Plan 2024/25 Consultation
<b>SLT Lead:</b>	Kathy Freeman, Strategic Director Resources
<b>Report Author and contact details:</b>	Jeremy Welburn Head of Assurance. Tel: 01708 432610 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 the proposed audit plan for 2024/25.
<b>Financial summary:</b>	There are no financial implications arising from approving the audit plan/strategy. It is expected that the costs of implementing both will be contained within the revenue budget for internal audit.

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

People making Havering	[X]
Places making Havering	[X]
Resources making Havering	[X]

## SUMMARY

The Public Sector Internal Audit Standards refer to the need to produce a risk-based Internal Audit Plan. This should take into account the requirement to produce an annual internal audit opinion and report that can 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 needs to include an appropriate and comprehensive range of work.

The report provides the updated and reviewed Internal Audit Charter and sets out the approach to producing the draft Internal Audit plan, inviting comment from Members.

**RECOMMENDATIONS**

1. To comment on the draft 2024/25 Internal Audit Plan.
2. To raise any issues of concern and ask specific questions of officers, where required.

**REPORT DETAIL**

**1. Introduction**

- 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.
- 1.2 Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a straightforward 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, who should provide independent assurance to senior management and the Audit Committee on how effectively the first and second lines of defence have been operating.

- 1.3 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.
- 1.4 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.



**2 Internal Audit Charter and Strategy**

- 2.1 The Internal Audit Charter and Strategy has been reviewed and updated and is included in Appendix 1.

**3. Internal Audit Plan**

- 3.1 To develop the 2024/25 audit plan and to ensure that this reflects the Council's strategic risks, officers within the Assurance Service have been involved in discussions with the Section 151 Officer, Directors and senior management to review risks in their areas.
- 3.2 The draft plan has been developed using the Council's Vision and objectives for 2024/25. It is proposed that the 2024/25 plan is flexible to allow for changes in the risk and operational environment in which the Council operates.
- 3.3 The Draft Internal Audit Plan 2024/25 is included as Appendix 2. The Plan is exclusive of Counter Fraud investigations but there is a provision for Internal Audit staff to support Counter Fraud work on system related work.

Appendices:

Appendix 1: Internal Audit Charter 2024

Appendix 2: Draft Internal Audit Plan 2024/25

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

There are no financial implications arising from approving the plan. The financial implications arising from implementation of the plan are predominantly staffing costs and associated resources. It is expected that costs will be contained within the budget for internal audit and any variance will be reported and addressed through budget monitoring processes.

By maintaining an adequate audit service to serve the Council, 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.

### **Legal implications and risks:**

There are no apparent risks in noting the content of the report. Failure to effectively manage risks is likely to have legal consequences.

### **Climate Change implications and risks:**

None arising directly from this report. Risks around this are reflected in the Strategic Risk Register and incorporated into the scope of audits where relevant.

### **Human Resources implications and risks:**

None arising directly from this report.

### **Equalities implications and risks:**

None arising directly from this report.

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.

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London Borough Of Havering

# Internal Audit Charter

2024

London Borough Of Havering

## Document Control

Include document details, version history, approval history, and equality analysis record.

### Document details

<b>Name</b>	Internal Audit Charter
<b>Version number</b>	V1
<b>Author</b>	Maria Denton, Deputy Head of Internal Audit & Risk
<b>Lead Officer</b>	Jeremy Welburn, Head of Assurance
<b>Approved by</b>	Audit Committee
<b>Scheduled review date</b>	March 2027

### Version history

Version	Change	Date	Dissemination
V0.1			
V0.2			

### Equality & Health Impact Assessment record

1	Title of activity	<i>Internal Audit Charter</i>		
2	Type of activity	<i>Charter</i>		
3	Scope of activity	<i>- To define Internal Audit's purpose, authority and responsibility in accordance with the UK Public Sector Internal Audit Standards (PSIAS).</i>		
4a	Are you changing, introducing a new, or removing a service, policy, strategy or function?	No	If the answer to <u>any</u> of these questions is 'YES', please continue to question 5.	If the answer to <u>all</u> of the questions (4a, 4b & 4c) is 'NO', please go to question 6.
4b	Does this activity have the potential to impact (either positively or negatively) upon people (9 protected characteristics)?	No		
4c	Does the activity have the potential to impact (either positively or negatively) upon any factors which determine people's health and wellbeing?	No		
5	If you answered YES:	<b>Please complete the EqHIA in Section 2 of this document.</b> Please see Appendix 1 for Guidance.		
6	If you answered NO: ( <i>Please provide a clear and robust explanation on why your activity does not require an EqHIA. This is essential in case the activity is challenged under the Equality Act 2010.</i> )  <i>Please keep this checklist for your audit trail.</i>	<i>This Charter establishes internal audit's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and, defines the scope of internal audit activities. There is no impact on protected characteristics.</i>		

Date	Completed by	Review date
11 <sup>th</sup> March 2024	Maria Denton, Deputy Head of Internal Audit & Risk	March 2027

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## Introduction

The purpose of this Internal Audit Charter is to define internal audit's purpose, authority and responsibility, in accordance with the UK Public Sector Internal Audit Standards (PSIAS). It establishes internal audit's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and, defines the scope of internal audit activities.

This Charter also covers the role of the Head of Assurance and internal audit staff, and identifies the nature of professionalism, skills and experience required.

## Statutory requirements for an Internal Audit function

The role of internal audit is underpinned by the statutory requirement. This is set out in the Accounts and Audit Regulations, which states that every local authority "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

The statutory requirement is also within Section 151 of the Local Government Act 1972. This states that every authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs" in that it should include "compliance with statutory requirement for accounting and audit".

The CIPFA statement on the Role of the Chief Financial Officer in Local Government states that the chief financial officer (CFO) must:

- Ensure that an effective internal audit function is resourced and maintained;
- Ensure that the authority has put in place effective arrangements for internal audit of the control environment;
- Support the authority's internal audit arrangements; and
- Ensure that the Audit Committee receives the necessary advice and information, so that the Committee can operate effectively.

In a local authority, internal audit provides independent and objective assurance to the Council, its Members, the Corporate Leadership/Management Team and in particular to the CFO, thereby assisting the CFO in discharging his/her responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Councils' financial affairs.

## Board and Senior Management

The Public Sector Internal Audit Standards (PSIAS) require that the Internal Audit Charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Audit Committee, which oversees the work of internal audit. Senior management is defined as the Executive Leadership/Management Team.

## Mission of Internal Audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## Definition of Internal Audit

Internal audit is defined by the Chartered Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

## Applicable Standards

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN). The Relevant Internal Audit Standard Setters (RIASS), which include the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of local government, originally adopted PSIAS from 1 April 2013. PSIAS was subsequently revised and updated in 2017. The Standards encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). The LGAN was developed by CIPFA and sets out requirements for local government internal audit to inform application of PSIAS. The LGAN was revised and updated in 2019.

Compliance with these Standards is subject to a quality assurance and improvement programme in line with PSIAS.

The PSIAS incorporate the Core Principles for the professional practice of internal auditing and a code of ethics. For an internal audit function to be considered effective, all Principles should be present and operating effectively. The purpose of the Code of Ethics is to promote an ethical culture in the profession of internal auditing. Auditors are required to comply with this code, as well as any code of ethics from other professional bodies they belong to and any code of ethics required by the Council.

## Roles and Responsibilities

### Responsibility of Internal Audit

The Head of Assurance must deliver an annual internal audit opinion and a report that can be used to inform the Council's 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. This is the 'assurance role' for internal audit. In order to achieve this, the internal audit function has the following objectives:

- To provide a quality, independent and objective risk-based audit service that effectively meets the Councils' needs, adds value, improves operations and helps protect public resources.
- To provide assurance to management that the Councils' operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- To provide advice and support to management to enable an effective control environment to be maintained.
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council, to aid the prevention and detection of fraud, with fraud risks being considered as part of the scope for audit assignments

The individual topics of work undertaken by the internal audit service include:

- Audit planning
- Risk-based audit reviews
- By exception, compliance reviews
- Auditing grant claims
- Follow up audit reviews
- Consultancy advice on controls and system development

Each individual audit assignment is governed by specific terms of reference for that piece of work, detailing the scope of the audit and elements that will be covered, and if appropriate, the resources to be applied and the timeframe.

There are separate terms of engagement covering counter fraud work, setting out in detail the respective responsibilities of the counter fraud team and managers, such as:

- Independent investigation function
- Investigating issues and concerns raised by services
- Advice around whether it is a fraud issue
- Fraud awareness.

This is supplemented by Council Policies which include:

1. Financial Regulations
2. The Anti-Fraud and Corruption Strategy
3. The Anti-Money Laundering Policies
4. Anti-Bribery Policies

These provide detailed guidance on what to do if a manager discovers fraud, corruption, money laundering or has an allegation reported to them.

### **Responsibility of the Council**

The Council is responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Councils' Financial Regulations are specific about the role of the Chief Financial Officer in relation to internal audit, setting out access rights, independence and support for resources sufficient to provide an opinion and support managers to prevent and detect fraud.

Financial Regulations specify the responsibilities of the Directors in terms of access, explanations, reporting of allegations of fraud and engaging with the audit process. The respective roles of managers in relation to internal audit are also set out in Financial Regulations.

### **Three Lines of Defence**

In addition, there is a straightforward assurance framework, which assists in understanding the role of internal audit in the overall risk management and internal control processes in the Council. This framework is commonly referred to as the 'three lines of defence' model.

Operational management is responsible for ensuring that systems of internal control are in place, good business practices are implemented and followed in all areas, compliance is maintained, risks, including fraud risks, are identified and mitigated, and effective governance is established. This is the 'first line' of defence.

The second line of defence is performed by those responsible for oversight functions, generally the policy/system owners. They set boundaries by drafting and implementing policies and procedures. They are also responsible for guidance and directions for implementing their policies and for monitoring their proper execution. They therefore provide oversight over business processes and risks.

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.

Notwithstanding the above, the internal audit service may, on occasion, be required to undertake a range of reviews which, through volume testing, identify and examine the levels of organisational compliance with council policies, procedures, financial regulations and legislation. As a result of these reviews, an assessment can be provided on the degree of compliance across the council and can help services to improve their systems to facilitate greater compliance in the future.

### **Head of Assurance**

The Head of Assurance is the Chief Audit Executive as referred to in the Public Sector Internal Audit Standards (PSIAS). They will have sufficient skill, experience and competencies to work with the leadership team and the Audit Committee, influencing risk management, governance and the internal control environment of the Council. The Head of Assurance will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership, and adhere to professional values and the Code of Ethics.

The Head of Assurance is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Head of Assurance will specify any other professional skills that may be needed by the internal audit team.

### **Head of Assurance – Relationships and Independence**

The Head of Assurance reports directly to the S151 Officer of the Council.

The Head of Assurance has direct access to the Head of Paid Service (Chief Executive or equivalent), all levels of management and elected members, as set out in the Council's financial regulations.

The Head of Assurance can meet separately with the Chair of the Audit Committee, if required.

The Head of Assurance, or an appropriate representative of the internal audit team, attends meetings of the Audit Committee.

The Head of Assurance, or an appropriate representative, attends meetings of the Council's senior management teams to discuss the audit plan, following consultation over the proposals with Directors.

The Head of Assurance is, in addition to Internal Audit, also responsible for Counter Fraud, Risk Management and Insurance. These additional roles outside of internal auditing could potentially, or be perceived to, impair independence and objectivity, with regard to the principles contained within the Code of Ethics. Safeguards are therefore in place to limit possible impairments, e.g. where appropriate, another senior manager will agree Terms of Reference and sign off audit paperwork and reports.

### **Independence of Internal Audit**

Managers and staff within internal audit are required to make annual declarations of interest in accordance with the Council's declaration's policy. Everyone is reminded of the need to make annual declarations of interest. Declarations made are reviewed by management and, if required, appropriate control measures are put in place to prevent conflicts of interest.

Where appropriate, internal audit may provide advice and support, regarding risk and controls, during the design and implementation of new systems. In such cases, independence is preserved by ensuring that the person providing this support takes no part in any subsequent audit.

Audit assignments are distributed in such a way as to ensure that independence is maintained and objective opinions can be given. Auditors work on a wide range of assignments and do not focus on any particular area of the Council's business.

When auditors are recruited from within the Council, they cannot audit the area where they previously worked for at least six months, to preserve the auditor's independence.

## **Scope of Internal Audit**

### **Responsibility**

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

### **Due Professional Care**

The internal audit function is bound by the following standards:

- UK Public Sector Internal Audit Standards (PSIAS)
- PSIAS - Code of Ethics
- Local Government Application Note (LGAN)
- Seven Principles of Public Life (Nolan Principles)
- All Council policies and procedures
- All relevant legislation
- Any code of ethics prescribed by an accounting or audit body to which an auditor is a member of.

Internal audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

### **Opinion work – Internal Audit Process**

The PSIAS state that the Head of Assurance is responsible for developing a risk-based plan. This takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the Head of Assurance uses his/her own judgment of risks, after consideration of input from senior management and the board. The Head of Assurance must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

The risk-based plan must take into account the requirement to produce an annual internal audit opinion on the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.

For each audit assignment, terms of reference are developed and agreed with the client setting out the objectives and scope of the audit. A risk evaluation form is prepared, breaking down the risks and expected controls of the system to be reviewed. These documents are reviewed and agreed by Audit Management prior to the commencement of the audit.

The completed risk evaluation form and other audit working papers contain the evidence to support the audit findings and the conclusion reached. At the completion of the audit, a written report is produced detailing the findings and recommendations. The report will also provide an audit opinion on the control environment in place. As part of the ongoing quality assurance process, the working papers and report are reviewed by the Audit Management before the draft report is issued to the client.

The risk based plan is a live document and subject to reviews in year to take account of changes in the risk environment and internal factors within the Council.

Outcomes from audit reports are submitted to the Audit Committee for information and discussion.

### **Non-opinion work including Consulting Services**

From time to time, the internal audit service will undertake work which does not necessarily contribute explicitly to the overall audit opinion. These will be probity or regularity audits in response to investigations, certification of grant claims or consultancy exercises in the form of support for new systems being developed.

Where such work is undertaken, this is set out as part of the Head of Assurance's annual report. The risk, for which the work is providing assurance, is also specified.

Consulting services are advisory in nature and are generally performed following the receipt of a specific request, with the aim of improving governance, risk management and control. Prior to accepting any consultancy work, due consideration is given to its potential impact on the independence of internal audit and the impact on the ability of the section to provide sufficient assurance to provide an opinion on the Council's overall control framework.

## Counter Fraud

Managing the risk of fraud is the responsibility of line management; however the Section 151 Officer retains specific responsibilities in relation to the detection and investigation of fraud.

The wider internal audit service supports the Counter Fraud Team to provide a counter fraud function to support the Section 151 officer in the discharge of his/her responsibilities.

Fraud risks are also considered as part of the scope for audit assignments and specific testing takes place to ensure that there are adequate controls in place to prevent and detect fraud, errors and omissions, as part of the opinion work.

The Counter Fraud Team is trained to investigate cases to a criminal standard and adhere to a range of legislative requirements to enable cases to be prosecuted, where necessary.

The Counter Fraud Team undertakes work of a proactive nature through various data matching exercises. The aim is to try to identify potential frauds at an early stage, assess the controls against the risks and enable identified fraud to be dealt with whilst giving a level of assurance over Council data.

The Counter Fraud team also responds reactively to allegations of fraud from both internal and external sources, aiming to investigate cases, where appropriate, to a criminal standard. Council policies require that the Assurance Service is notified of all suspected or detected fraud and corruption.

The Counter Fraud Team maintains and updates the Council's Counter Fraud policies, including:

- Anti-fraud and corruption policy
- Anti-money laundering policy
- Bribery Act policy
- Prosecution policy
- Policy for the use of the confiscation regime within the Proceeds of Crime Act 2002.

The team also provide training and resources to enable officers to identify and prevent fraud in the design and control of their systems.

Work carried out by the Counter Fraud Team is reported to Members and contributes to the Head of Assurance's annual opinion.

## Reporting

The UK Public Sector Internal Audit Standards (PSIAS) require the Head of Assurance to report to the top of the organisation and this is done in the following ways:

- The Internal Audit Charter and any amendments are reported to the senior management team and the Audit Committee. The annual Internal Audit Plan is compiled by the Head of Assurance, taking account of the risk framework and after input from directors and heads of service. It is then presented to the senior management team and the Audit Committee, annually, for noting and comment.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Assurance) and the independence of internal audit will be reported annually to the Audit Committee. Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported regularly to the Audit Committee.
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee.
- Any instances of non-conformance with the Public Sector Internal Audit Standards will be included in the annual Head of Assurance report. If there is significant non-conformance, this may be included in the Council's Annual Governance Statement.

## Internal Audit Access Rights

Internal audit has unrestricted access to all records and information, both manual and computerised, cash, stores and other property or assets it considers necessary to fulfil its responsibilities. Audit may enter a property and has unrestricted access to all locations and officers where necessary, on demand, and without prior notice. Right of access to other bodies funded by the Council should be set out in the conditions of funding.

## Internal Audit Resources

Internal audit must have sufficient resources in terms of numbers, grades, qualifications and levels of experience, having regard to its objectives and to the UK Public Sector Internal Audit Standards and Local Government Application Note.

The Head of Assurance is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities. If a situation arose whereby resources were insufficient this will be reported to the Directors of Finance, the Section 151 Officers and, if not resolved, the Audit Committees.



Audit Area	Proposed Scope/Audit Work	Proposed Timing
<b>Core Assurances &amp; Cross Cutting</b>		
<b>Governance</b>		
<b>General Governance Work</b>	To include co-ordination of Annual Governance Statement and production of Audit Committee / SLT reports.	Ongoing
<b>Assurance Work</b>		
<b>General Assurance Work</b>	Advice and Consultancy, Audit Plan Management, Follow up of recommendations and Counter Fraud Support.	Ongoing
<b>Grant reviews</b>	To include ongoing Supported Families review and any other grants arising during the year that require audit review / sign off.	As need arises
<b>Compliance Work</b>		
<b>Key financial audits</b>	Ongoing compliance work for key financial areas as a risk- based rolling programme of work.	Q1-3
- <b>Council Tax (empty property charges)</b>	To review process and administration of exemptions.	TBC
- <b>High income areas</b>	Cross-cutting. To be identified during the planning phase.	TBC
<b>Governance &amp; Compliance Culture</b>	Programme of work during year to assess governance arrangements and check compliance.	Q1-4
<b>Risk</b>		
<b>Risk &amp; Assurance Mapping</b>	Identifying ongoing or planned work across services that provide additional assurances.	Ongoing
<b>Joint Counter-Fraud Work</b>	Increased Internal Audit and Counter-Fraud collaboration.	Ongoing
<b>Contingency allowance and provision for assurance work on emerging risk</b>		As need arises
<b>People</b>		
<b>Court of Protection: Deputyships and Appointeeships</b>	Emerging risk in 2023/24. Process mapping and risk review.	Q1
<b>Starting Well</b>	Outcomes from Ofsted report. Assurance taken from progress of recommendations.	TBC
<b>Starting Well / Ageing Well</b>	High cost placements (residential and supported living)	Q2
<b>Place</b>		
<b>Tenant Management Organisations</b>	To review financial management and oversight	Q1
<b>Voids (Tenant Rechargeable Repairs)</b>	Highlighted as a risk in the 2022/23 PSL Follow Up review. To include both PSL and General Stock.	Q1
<b>Highways</b>	TBC - Contract renewal/replacement at end March 2024	Q2-3
<b>Contract Management - Waste</b>	To review contract management/monitoring arrangements in place	Q4
<b>Resources</b>		
<b>Data Protection – Legacy Contracts</b>	To assess risks around data breaches	Q1
<b>Complaints</b>	Follow on from 2022/23 assurance memo and implementation of new system in 2023/24.	Q3/4
<b>Contracts</b>	Sample based Value for Money review	TBC

**Financial Assessments and Benefits**

Process mapping and control framework

Q2

**Total Audit Plan (Days)**

700