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Havering
LONDON BOROUGH

AUDIT COMMITTEE
AGENDA

7.00 pm	Thursday 25 July 2024	Appointment Centre Room 10 & 11, Town Hall, Romford

Members 6: Quorum 3

COUNCILLORS:

Conservative Group (2)	Havering Residents' Group (3)	Labour Group (1)	East Havering Residents Group (0)
David Taylor Osman Dervish	Julie Wilkes (Chairman) Jacqueline Williams (Vice-Chair) John Crowder	Vacant	

For information about the meeting please contact:
Taiwo Adeoye 01708 433079
taiwo.adeoye@OneSource.co.uk

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

What matters are being discussed?

DPI

Does the business relate to or is it likely to affect a disclosable pecuniary interest. These will include the interests of a spouse or civil partner (and co-habitees):
• any employment, office, trade, profession or vocation that they carry on for profit or gain;
• any sponsorship that they receive including contributions to their expenses as a councillor; or the councillor's election expenses from a Trade Union;
• any land licence or tenancy they have in Havering
• any current contracts leases or tenancies between the Council and them;
• any current contracts leases or tenancies between the Council and any organisation with land in Havering in they are a partner, a paid Director, or have a relevant interest in its shares and securities;
• any organisation which has land or a place of business in Havering and in which they have a relevant interest in its shares or its securities.

YES → Declare Interest and Leave

NO ↓

PERSONAL INTEREST

Might a decision in relation to that business be reasonably be regarded as affecting (to a greater extent than the majority of other Council Tax payers, ratepayers or inhabitants of ward affected by the decision)
• Your well-being or financial position; or
• The well-being or financial position of:

o A member of your family or any person with whom you have a close association; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;

o Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your Authority; or

o Any body exercising functions of a public nature, directed to charitable purposes or whose principal includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management?

NO → You can participate in the meeting and vote (or remain in the room if not a member of the meeting)

YES ↓

PECUNIARY INTEREST

You must disclose the existence and nature of your personal interests

↓

Would a member of the public, with knowledge of the relevant facts, reasonably regard your personal interest to be so significant that it is likely to prejudice your

NO → You can participate in the meeting and vote (or remain in the room if not a member of the meeting)

YES ↓

- Does the matter affect your financial position or the financial position of any person or body through whom you have a personal interest?
- Does the matter relate to an approval, consent, licence, permission or registration that affects you or any person or body with which you have a personal interest?
- Does the matter not fall within one of the exempt categories of decisions?

NO → You can participate in the meeting and vote (or remain in the room if not a member of the meeting)

YES ↓

Speak to Monitoring Officer in advance of the meeting to avoid allegations of corruption or bias

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 7 - 8)

To approve as correct the minutes of the meeting held on 14 May 2024 and authorise the Chairman to sign them.

5 EXTERNAL AUDIT PLANS 2023/24 (Pages 9 - 112)

Report attached

6 ANNUAL TREASURY MANAGEMENT REPORT 2023/24 (Pages 113 - 130)

Report attached

7 RISK MANAGEMENT UPDATE (Pages 131 - 166)

Report attached

8 ASSURANCE PROGRESS REPORT (Pages 167 - 186)

Report attached

9 URGENT BUSINESS

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

Zena Smith
Head of Committee and
Election Services

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MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Appointment Centre Room 10 & 11, Town Hall, Romford
14 May 2024 (7.00 - 9.12 pm)

Present:

COUNCILLORS:

Conservative Group	Keith Prince, Damian White and David Taylor
Residents' Group	Julie Wilkes (Chair), Jacqueline Williams (Vice-Chair)
Labour Group	Jane Keane
East Havering Residents Group	Darren Wise

No apologies were received for the absence of Councillors.

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

120 **MINUTES OF THE MEETING**

Members noted the venue was incorrect and should read 'Council Chamber'.

Otherwise the minutes were agreed as a correct record and were signed by the Chairman.

121 **EXTERNAL AUDIT REPORT**

Members welcomed officers from Ernst & Young (EY) who presented the external audit report.

Members noted the statement of accounts for 2020/21 were originally presented in July 2021 but sign off had been delayed wit only 9% of national accounts signed by the deadline of September 2021. EY has undertaken additional work due to the Council's financial position which had further delayed the sign off of the accounts with a projected sign off date of June 2024.

It was explained to the Committee that the Highways assets in April 2022 had caused delays in the audit results for Audit and a resolution had not been found until late 2022 which halted the other audits. The capitalisation directive would have to be included with all work to be concluded by July 2024. Officers explained to members that although issues in the accounting had been found, these were not material and were keen to conclude the 202/21 statements to allow more time to focus on the 2023/24 accounts with some issues remaining in the later accounts.

Members only noted one main issue within the audit for Pensions which was a disclosure error relating to LGIM investments but these did not affect the finance level.

The Committee agreed the recommendations subject to any changes being circulated to the Committee members.

122 **DRAFT ANNUAL GOVERNANCE STATEMENT 2023/24**

The Committee was presented with the annual 'look back' at governance.

It was noted there were 89 breaches with more in-depth data to be shared with members. 89% of Council staff had been trained on data breaches but the target was 95% so there was still work to be done to reach the target. Officers suggested a potential deep dive into GDPR breaches which was welcomed by the Committee. Officers were asked to review the implementation against the READI review which officers agreed they would do.

The Committee agreed the recommendations.

123 **HEAD OF ASSURANCE ANNUAL REPORT 2023/24**

The Committee was presented with the Head of Assurance Annual Report for 2023/24.

Members were presented with a summary of the systems completed and drafted. It was noted that 4 systems had been removed from the plan with highway services showing as an error as it had been delayed until the following year. Also, Members were presented with details of all the recommendations linked to any risks. The DPIA compliance of CCTV had been implemented. Members questioned the relationship of the Audit team with other services within the Council to which officers explained the relationships were generally positive.

The Committee gave thanks to the officers for their continued hard work to present the report in the new layout.

The Committee agreed the recommendations.

124 **DRAFT INTERNAL AUDIT PLAN 2024/25**

The Committee was presented with the Drfat Internal Audit Plan for 2024/25.

Members noted the risks were fluid and the plan was a flexible document. Cllr Taylor raised a number of queries to which officers would reply to outside of the meeting.

The Committee agreed the recommendations.

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Chairman

AUDIT COMMITTEE
25 July 2024

Subject Heading:	External Audit Plan 2023/24
SLT Lead:	Kathy Freeman, Strategic Director of Resources
Report Author and contact details:	Heather Salmon, Head of Finance Telephone: 01708 432151 E-mail: heather.salmon@havering.gov.uk
Policy context:	Audit Committee to consider the External Audit Plans for the London Borough of Havering and for the Pension Fund.
Financial summary:	The cost of the audit is contained in the audit plans.

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

People - Things that matter for residents
Place - A great place to live, work and enjoy
Resources - A well run Council that delivers for People and Place - X

SUMMARY

The Council's external auditor, Ernst and Young (EY), is presenting its 2023/24 audit plans for both the Council and the Pension Fund to the Committee.

RECOMMENDATIONS

The Committee is asked to:

1. Note the contents of the audit plans (Appendices A and B), in particular the significant risks, materiality and reporting levels.

2. Note the scale fees for the external audit of £421,745 and £85,945 for the Council and Pension Fund respectively, for the year ending 31 March 2024.

REPORT DETAIL

1. Introduction

Each year the council's external auditor presents their audit plan for the financial accounts to the Audit Committee.

The audit plan outlines the scope of the audit, any significant risks inherent in the audit, materiality and value for money arrangements.

2. Background

At its meeting on Wednesday 22 March 2022 the Council approved the decision of Audit Committee to procure an external audit contract through Public Sector Audit Appointments Ltd (PSAA) for both the London Borough of Havering and the Havering Pension Fund. At the time it was anticipated that audit scale fees for 2023/24 would likely increase by 150% compared to the previous year.

Under the Local Audit (Appointing Person) Regulations, the 2023/24 fee scale must be published before 1 December 2023. Following a period of consultation, the PSAA published the scale fees for 2023/24 for each audited body in November 2023.

The scale fees for 2023/24 accounts are:

- LB Havering Council £421,745
- Pension Fund £ 85,945

Any subsequent changes that may affect audit fees, such as in national requirements or local circumstances, will be the subject of fee variations.

IMPLICATIONS AND RISKS

Financial implications and risks:

Public Sector Audit Appointments Ltd (PSAA) appoints auditors for a 5-year period. This contract was retendered for 2023/24 and Ernst and Young has been reappointed as the Council's auditors up to 2027/28. The PSAA sets and publishes the scale fee for each individual audited body.

The scale fees for the 2023/24 audit will be £421,745 (prior year £157,827) for the Council and £85, 945 (prior year £24,795) for the Pension Fund, subject to the Council and Pension Fund delivering a good set of financial statements and working papers.

If the auditor considers that additional work is required that is not provided for in the scale fee, the regulations allow for a fee variation proposal to be submitted to PSAA.

Legal implications and risks:

There are no legal implications arising from this report.

Human Resources implications and risks:

There are no direct Human Resources implications in this report.

Equalities implications and risks:

There are no direct equalities implications in 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.

Climate Change implications and risks:

None arising directly from this report.

Appendices:

Appendix A – London Borough of Havering Audit Plan, Year ended 31 March 2024
Appendix B – Havering Pension Fund Audit Plan, Year ended 31 March 2024

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London Borough of Havering
Audit Plan

Year ended 31 March 2024

14 May 2024

Building a better working world

Members of the Audit Committee
London Borough of Havering
Town Hall
Main Road
Romford RM1 3BB

14 May 2024

Dear Audit Committee Members

External Audit Plan - 2023/24

Attached is our Audit Plan for the forthcoming meeting of the Audit Committee. The purpose of this report is provide the Audit Committee of London Borough of Havering (the Council) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timelyy and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Audit Committee members' and Management's attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

(continued)

This report is intended solely for the information and use of the Member of the Audit Committee, and Management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on the 25 July 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

Enc

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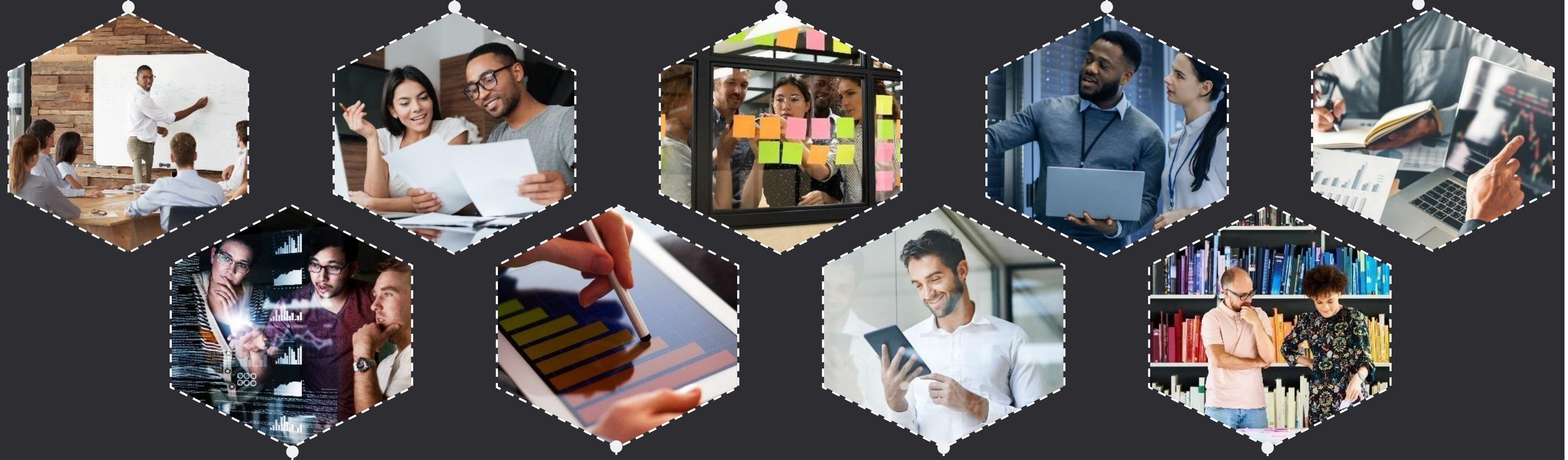

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Council and management of London Borough of Havering. Our work has been undertaken so that we might state to the Council and management of London Borough of Havering those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Council and management of London Borough of Havering for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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01 Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

Context for the 2023/24 audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- DLUHC has launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to :
    - Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
    - Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) is expected to launch consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates, it is likely we will disclaim the opinion on the Council's 2021/22 and 2022/23 accounts. The proposed disclaimer of the Council's 2021/22 and 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.

Overview of our 2023/24 audit strategy

Responsibilities of Council/Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the Statement of Accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.
- Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

Overview of our 2023/24 audit strategy

The following ‘dashboard’ summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from 20/21	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks. We have identified below two specific areas where management override could manifest itself.
Risk of incorrect capitalisation of revenue expenditure (including Revenue Expenditure Funded from Capital Under Statute)	Fraud Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Linking to our fraud risk identified above, we have determined that a way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements, given the extent of the Council’s capital programme and Revenue Expenditure Funded from Capital Under Statute.
Accounting adjustments made in the ‘Movement in Reserves Statement	Fraud Risk	New risk in 23/24	One further specific area where the risk due to fraud and error manifests is in respect of the accounting adjustments made in the Movement in Reserves Statement. Given the financial pressure the Council is under, these adjustments could be used to manipulate the closing General Fund position. The Council have secured a Capitalisation Direction in 2024/25 of £54 million, which could put additional pressure on the Council to demonstrate financial improvements during 2023/24.
Valuation of Investment Property	Significant risk	No change in risk or focus	Investment Property represents a significant balance in the Council accounts (22/23: £48.124 million). Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a significant level of judgement around assumptions within valuations, especially where these assumptions rely on market data or income based measures, given difficulties in estimating future income.
Valuation of land and buildings and council dwellings	Inherent risk	No change in risk or focus	The valuation of land and buildings and council dwellings represent significant balance in the Council’s accounts (22/23: £1.279 billion). These balances are subject to valuation changes, impairment reviews, and depreciation charges. In calculating amounts recorded in the balances sheet, management are required to make material judgements and apply estimation techniques. We consider that the judgments and estimates made by management are likely to have a material impact on the valuation of these assets.
Pension Liability valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Overview of our 2023/24 audit strategy

The following ‘dashboard’ summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from 20/21	Details
Going concern	Inherent Risk	No change in risk	There is a level of uncertainty on the current levels of service provision as set out in the Council’s updated Medium Term Financial Strategy, which estimates a budget gap of £32.5 million in 24/25 and rises to £81.9 million over the next four years. In February 2024, the Secretary of State approved a capitalisation direction of £53.7 million. We have therefore flagged this is as an inherent risk in our audit strategy given the significance of the capitalisation direction the Council’s financial position.
Accounting for impairments of a receivable	Inherent risk	New risk in 23/24	The impairment of receivable balances is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation at year end and assess the appropriateness of the estimation technique.
Business rates appeals provision	Inherent risk	New risk in 23/24	The NNDR appeals provision is an estimate calculated with the assistance of an external expert using data from the Valuation Office Agency on outstanding appeals and the outcomes of historic appeals. Inherent uncertainties remain around the quantity, value and success rates of appeals.
Group Financial Statements Valuation of Inventory at lower of cost and net realisable value	Significant risk	New risk in 23/24	Inventory constitute a significant balance in the Council’s group accounts (22/23: £29.3 million). These assets are measured at lower of cost and net realisable value which requires the use of assumptions, judgements and estimates regarding the expected returns from the project and total costs to complete the development. The variances between these assumptions and actual events could have a material impact on the ultimate net realisable value.
Group financial statements Consolidation procedures	Significant risk	Increase in risk level since 20/21	The Council prepares group accounts to consolidate Mercury Land Holdings Limited, Bridge Close Regeneration LLP, Havering and Wates Regeneration LLP and Rainham and Beam Park Regeneration LLP. The Council should ensure that the consolidation of its subsidiaries is undertaken in line with the relevant accounting standards and the Code of Practice. In 20/21, we identified a number of errors on the intercompany elimination adjustments. Given the nature and extent of the errors found, we have considered this as a significant risk as the balances consolidated into the group accounts may be materially misstated.

The outcome of consultation on the planned measures to address local audit delays and related proposed temporary changes to CIPFA’s Code of Practice on Local Authority Accounting are likely to impact our assessment of audit risks and our response to them. We will continue to keep the Audit Committee updated on our assessment of any changes to audit risk as this becomes clearer.

Overview of our 2023/24 audit strategy

Group and Council Materiality

Planning materiality

£7.3m

Materiality has been set at £7.3 million, which represents 1% of 2022/23 gross expenditure on provision of services. We have set this at the lower end of our range, as we believe there will be additional focus by external stakeholders on the financial statements together with a higher expectation of our consideration of audit differences impacting those statements. A lower materiality level provides a greater level of assurance but requires a higher level of audit testing to achieve that level, which will have implications for the Scale Fee and variations to that fee.

Performance materiality

£3.7m

Performance materiality has been set at £3.7 million, which represents 50% of materiality. This is a reduced level when compared to the 2020/21 audit, as we are unable to conclude that we have a lower expectation of error, given the number of adjustments in the last completed audit of the financial statements.

Audit differences

£0.37m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund) greater than £0.73m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

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We also identify areas where misstatement at a level lower than our overall materiality might influence users and develop an audit strategy specific to these areas, including:

- Remuneration disclosures including Member allowances: we will agree all disclosures to source data, and member allowances to the agreed and approved amounts; and
- Related party transactions: we will test the completeness of related party disclosures and the accuracy of all disclosures by checking to supporting evidence.

The outcome of consultation on the planned measures to address local audit delays and issuance of a disclaimer on the Council's 2021/22 and 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

Overview of our 2023/24 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 3.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit planning report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit planning report and we will continue to discuss these with Management as to the impact on the scale fee.

Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Audit scope and approach

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Audit Committee where necessary to do so.

Overview of our 2023/24 audit strategy

Value for Money

We are required to consider whether the Council has made ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council’s arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council’s arrangements against three reporting criteria:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on the Council’s value for money arrangements will be included in the Auditor’s Annual Report.

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Timeline

A timetable has been agreed with Management with the ambition to complete the audit by the end of November 2024. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is achievable.

Key Audit Partner and senior audit team

Partner – Mark Hodgson

The Engagement Partner has overall responsibility for:

- The audit and its performance
- The auditor’s report that is issued on behalf of EY
- The overall quality of the audit

Senior Manager – Jacob McHugh

The Manager has responsibility for management of the audit and ensuring that it is adequately resourced to meet both its time and budget constraints. They will also support the individual engagement team members to complete timely high quality audit fieldwork.

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02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

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What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks
- Understanding the oversight given by those charged with governance of management's processes over fraud
- Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions)
- Consideration of the effectiveness of management's controls designed to address the risk of fraud
- Determining an appropriate strategy to address those identified risks of fraud
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- Undertake procedures to identify significant unusual transactions
- Consider whether management bias was present in the key accounting estimates and judgments in the financial statements

Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure', and Accounting adjustments made in the 'Movement in Reserves Statement' are required.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure (including Revenue Expenditure Funded from Capital Under Statute)*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions and/or REFCUS in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

- Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assess whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Accounting adjustments made in the ‘Movement in Reserves Statement’*

Financial statement impact

We have identified specific risk of misstatement due to fraud and error that could affect the Income and Expenditure accounts.

We consider the risk applies to accounting adjustments made in the Movements in Reserves Statement that could result in the General Fund balance being misstated.

What is the risk?

The Council is under financial pressure to achieve its revenue budget. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to accounting adjustments made in the movement in reserves statement.

The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:

- REFCUS;
- Capital grants;
- Depreciation, impairments and revaluation losses; and,
- Minimum revenue provision

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Sample testing REFCUS to ensure the expenditure meets the definition of allowable expenditure, or is incurred under direction from the Secretary of State;
- Reconciling entries for consistency to other audited accounts within the financial statements, for example our work on Property, Plant and Equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants;
- Reviewing the Council’s policy and application of the ‘Minimum Revenue Provision’; and
- Using our data analytics tool to identify and test journal entries adjustments made in the movement in reserves statement.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Valuation of Investment Property

Financial statement impact

The value of Investment Property represents a significant balance in the Council's accounts and is subject to valuation based on market information. Given potential impacts of market uncertainty, this may limit the valuer's scope in determining reasonable estimates within the valuation model of investment properties at 31 March 2024. This leads to a risk of material uncertainty in the valuations of Investment Property within the Council's financial statements.

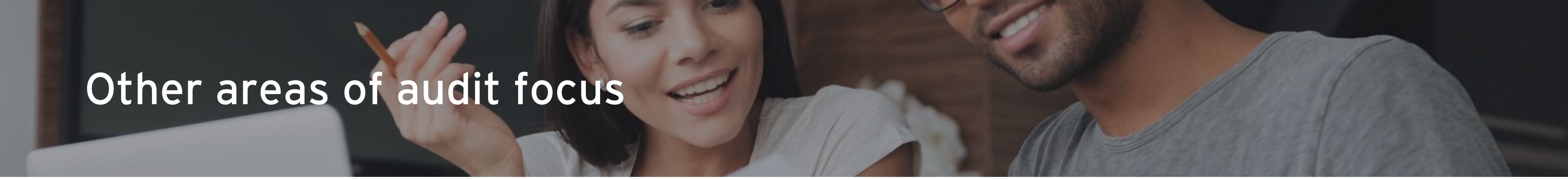
What is the risk?

Investment Property represents a significant balance in the Council accounts (22/23: £48.124 million).

Management is required to make material judgments and apply estimation to calculate the year-end balances recorded in the Balance Sheet.

What will we do?

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and results of their work.
- Sample test key asset information used by the valuer in performing their valuation (e.g. market rent)
- When needed, engage EY Real Estate as our internal specialist to review the valuations, assumptions and conclusions reached by the external valuers in regard to investment properties valued using market information.
- Consider the annual cycle of valuations to ensure that investment properties have been valued annually as required by the Code.
- Test accounting entries have been correctly processed in the financial statements.



Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Valuation of land and buildings and council dwellings (inherent risk)

The valuation of land and buildings and council dwellings represent significant balance in the Council's accounts (22/23: £1.279 billion). These balances are subject to valuation changes, impairment reviews, and depreciation charges. In calculating amounts recorded in the balances sheet, management are required to make material judgements and apply estimation techniques. We consider that the judgments and estimates made by management are likely to have a material impact on the valuation of these assets.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

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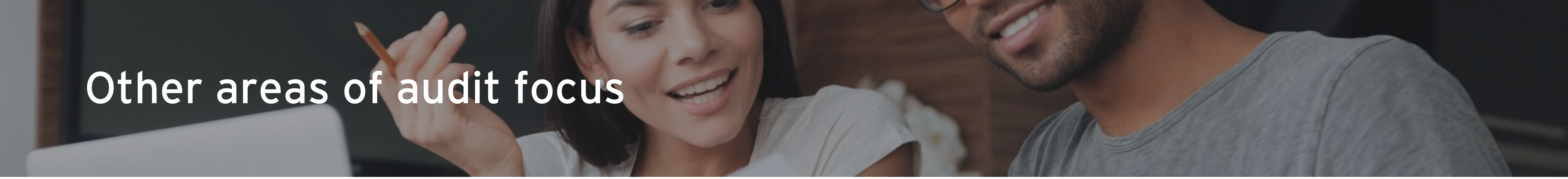
Our response: Key areas of challenge and professional judgement

In order to address this risk we will:

- Consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.



Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Pension liability valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council / Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund asset is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2023 this totalled £136.692 million.

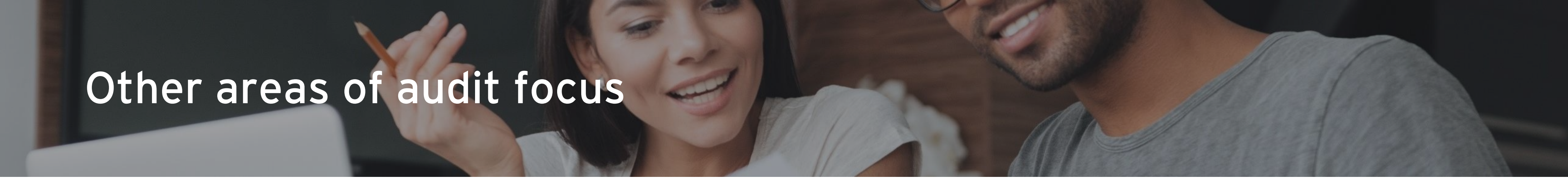
The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response: Key areas of challenge and professional judgement

In order to address this risk we will:

- Liaise with the auditors of London Borough of Havering Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Cambridge City Council;
- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.



Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Going concern (inherent risk)

There is material uncertainty on the current levels of service provision as set out in the updated Medium Term Financial Strategy which estimates a budget of £32.5 million in 24/25 and rises to £81.9 million over the next four years. In February 2024, the Secretary of State approved the capitalisation direction of £53.7 million.

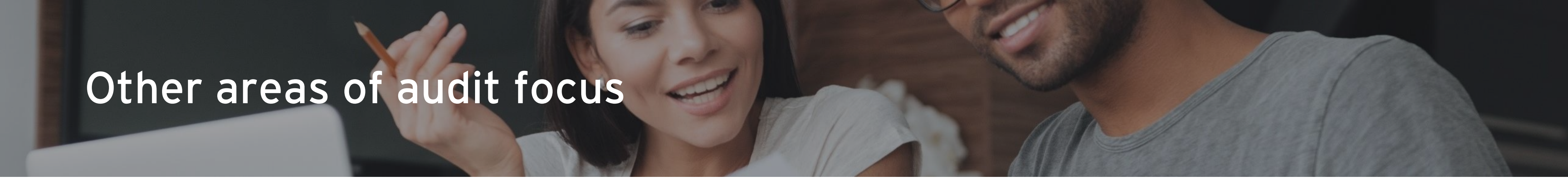
We have therefore flagged this is as an inherent risk in our audit strategy.

Our response: Key areas of challenge and professional judgement

In order to address this risk we will:

We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosures in the accounts by:

- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as going concern;
- Undertaking a 'stand back' review to consider all of the evidences obtained, whether corroborative or contradictory, when we draw our conclusions on going concern;
- Revising the appropriateness of the Council's going concern disclosure and corroborating evidence;
- Consideration of exercising our statutory powers at this point and if appropriate issuing a statutory written recommendations under section 24 (schedule 7) of the Local Audit and Accountability Act 2014.



Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Accounting for impairments of a receivable (inherent risk) The impairment of receivable balances is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation at year end and assess the appropriateness of the estimation technique. Therefore, we have raised an inherent risk for this in our audit strategy.	In order to address this risk we will: ‣ Review the calculation of the bad debt provision for reasonableness and accuracy; and ‣ Consider the recoverability of debts by testing a sample of trade receivables
Business rates appeals provision (inherent risk) The NNDR appeals provision is an estimate calculated with the assistance of an external expert using data from the Valuation Office Agency on outstanding appeals and the outcomes of historic appeals. Inherent uncertainties remain around the quantity, value and success rates of appeals.	In order to address this risk we will: ‣ Review the assumptions made by the Council's NNDR appeals provision specialist; and, ‣ Assess the reasonableness of any local adjustments made by the Council on the NDNR appeals provision.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Group Financial Statements

Valuation of inventory at lower of cost and net realisable value

Financial statement impact

Inventories are measured at lower of cost and net realisable value where various assumptions are adopted. These assumptions could be impacted by the prevailing economic conditions and could have a material impact on the ultimate net realisable value.

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What is the risk?

Inventories constitute a significant balance in the Council's group accounts (22/23: £29.3 million).

These assets are measured at lower of cost and net realisable value which requires the use of assumptions, judgements and estimates regarding the expected returns from the project and total costs to complete the development. The variances between he assumptions and actual events could have a material impact on the ultimate net realisable value.

What will we do?

- Preparing group instructions for the component auditors of the Council's subsidiaries; and,
- Reviewing the work undertaken by component auditors and determine whether we can place reliance on their work to obtain assurance over the stock balances consolidated into the group accounts.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Group financial statements

Financial statement impact

The Local Authority Accounting Code of Practice requires the Council to prepare group accounts and supporting disclosures within its financial statements when the group operations become material to the Council.

The Council has consolidated four entities and is required to prepared group accounts. The Council will need to undertake its annual assessment of the group boundary to determine the procedures its needs to consolidate the relevant component entities.

What is the risk?

The Council prepares group accounts to consolidate Mercury Land Holdings Limited, Bridge Close Regeneration LLP, Havering and Wates Regeneration LLP and Rainham and Beam Park Regeneration LLP. The Council should ensure that the consolidation of its subsidiaries is undertaken in line with the relevant accounting standards and the Code of Practice.

In 20/21, we identified a number of errors on the intercompany elimination adjustments.

Given the nature and extent of the errors found, we have considered this as a significant risk as the balances consolidated into the group accounts may be materially misstated.

What will we do?

- Reviewing the Council's assessment of its group boundary and the significance of the components in the group accounts;
- Preparing group instructions for the component auditors of the Council's subsidiaries;
- Reviewing the work undertaken by component auditors and determine whether we can place reliance on their work to obtain assurance over the balances consolidated into the group accounts;
- Ensuring that appropriate consolidation procedures are applied in line with the Code of Practice when consolidating subsidiaries into the Council's group accounts:
  - Understanding the process for consolidation;
  - Understanding the transactions undertaken between the entities and testing that the appropriate accounting entries have been made to eliminate inter-group transactions;
  - Understanding and testing the differences in accounting policies, ensuring that the appropriate adjustments are made on consolidation to align accounting policies set for the group;
  - Reviewing the disclosures in the group accounts to ensure that they are materially accurate and complete.

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03 Value for Money risks

Value for Money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

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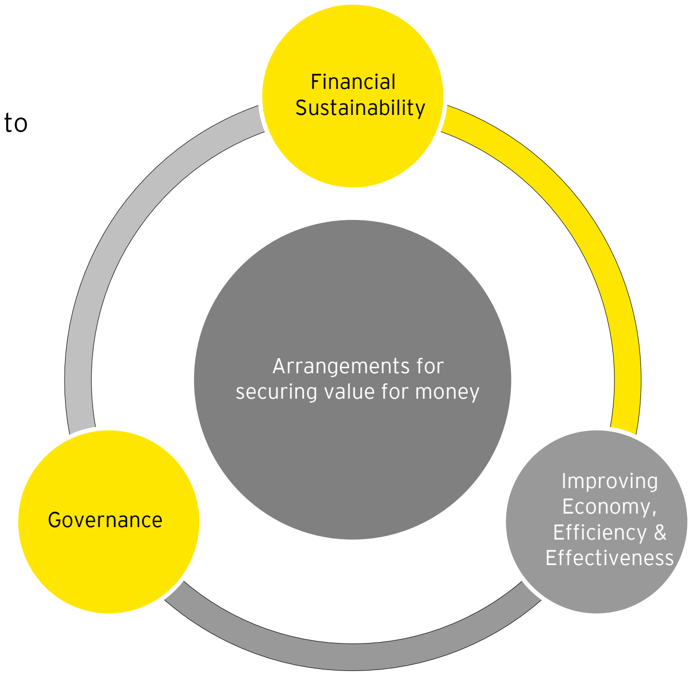
Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Value for Money

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement;
- Evidence that the Council arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

We have yet to complete our detailed VFM planning assessment, as this forms part of our audit procedures throughout the audit. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability.

We will update the Committee at a future meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.

04 Audit materiality

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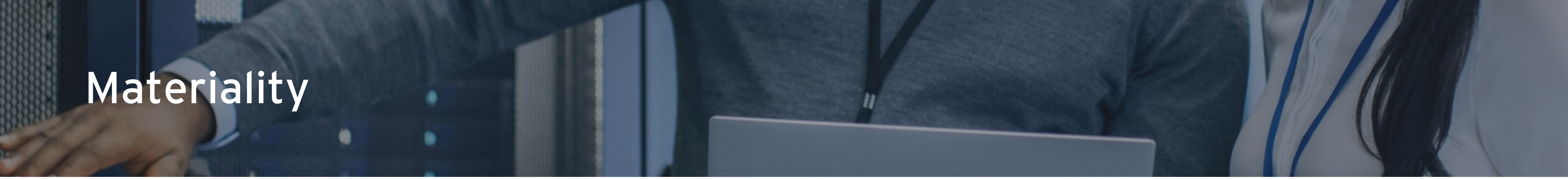

Materiality

Materiality

For planning purposes, Group and Council materiality for 2023/24 has been set at £7.3 million. This represents 1% of the Group and Council's 2023/24 gross expenditure on provision of services. It will be reassessed throughout the audit process. We consider that gross expenditure on the provision of services is the area of utmost interest to the users of the Council and Group's accounts. We have provided supplemental information about audit materiality in Appendix F.

Gross expenditure on provision of services

£733.069m - Council

£733.396m - Group

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- Planning materiality £7.3m
- Performance materiality £3.7m
- Component performance materiality £0.90m
- Audit differences £0.37m

The outcome of consultation on the planned measures to address local audit delays may impact our assessment of materiality for the 2023/24 audit. We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £3.7 million which represents 50% of group materiality. We have used the lower end of the range after considering a number of factors including the number of errors in 20/21.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

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05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body’s audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy

Objective and Scope of our Audit scoping (cont'd)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.

Audit process and strategy

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.
- Reliance on the work of other auditors where appropriate;
- Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scope of our audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

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Our preliminary audit scopes by number of locations we have adopted are set out below.

1	A	Full scope audits - London Borough of Havering
4	B	Specific scope audits
0	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

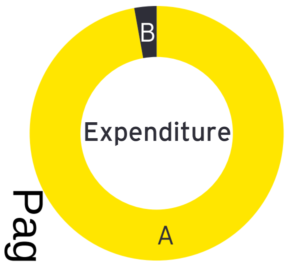
Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scoping the group audit

Coverage of Revenue/Profit before tax/Total assets

Based on the group's prior year results, our scoping is expected to achieve the following coverage of Gross Expenditure, group's revenue and total assets.



100%

of the group's gross expenditure will be covered by full and specific scope audits

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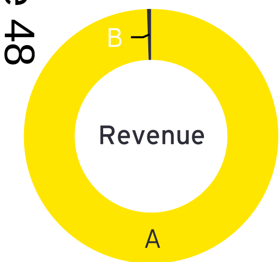
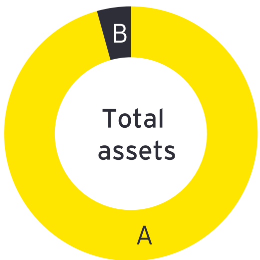


100%

of the group's revenue will be covered by full and specific scope audits



100%

of the group's total assets will be covered by by full and specific scope audits

Our audit approach is risk based and therefore the data above on coverage is provided for your information only and would be subject to adjustments for intercompany transactions.

Key changes in scope from last year

Bridge Close Regeneration LLP, Havering and Wates Regeneration LLP and Rainham and Beam Park Regeneration LLP had been assigned a Review Scope in 20/21. In 23/24, these entities have been assessed as Specific Scope. Mercury Land Holdings remains a Specific Scope component.

Details of specific scope procedures

Based on our discussions with management and the provided scope assessment by the Council, and knowledge from the 2020/21 audit we anticipate issuing group instructions to the auditors of each of these bodies. This will set out the specific accounts we require assurance over, from a risk and materiality perspective. We will review the component auditor files to ensure sufficient work has been undertaken in order for us to conclude.

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

- We provide specific instruction to component team and our expectations regarding the detailed procedures;
- We set up initial meeting with component team to discuss the content of the group instructions;
- We will consider the need to perform a file review of component team's work where appropriate; and
- We will attend a closing meeting with component team to discuss their audit procedures and findings.

06 Audit team

Audit team

Mark Hodgson
Key Audit Partner

Jacob McHugh
Senior Manager

Sherald Ang
Lead Senior

EY Real Estates

Specialist PWC consulting actuary and EY Actuaries

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Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2023/24 audit. We have undertaken a workshop with key officers involved in the audit process, which have reset the expectations we have of the Council to facilitate an effective audit.

We will continue to keep our audit approach under review to streamline it where possible and also ensure strong continuity in the audit team.

Use of specialists

▶ Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings & Investment Properties	Wilkes Head & Eve (Management specialist) EY Real Estates (if required)
Pensions disclosure	EY Actuaries Hymans Robertson (Management specialist)
NDR Appeals Provision	Analyse Local (Management specialist)
Financial Instruments	Link Assets Services (Management specialist)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements

07 Audit timeline

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Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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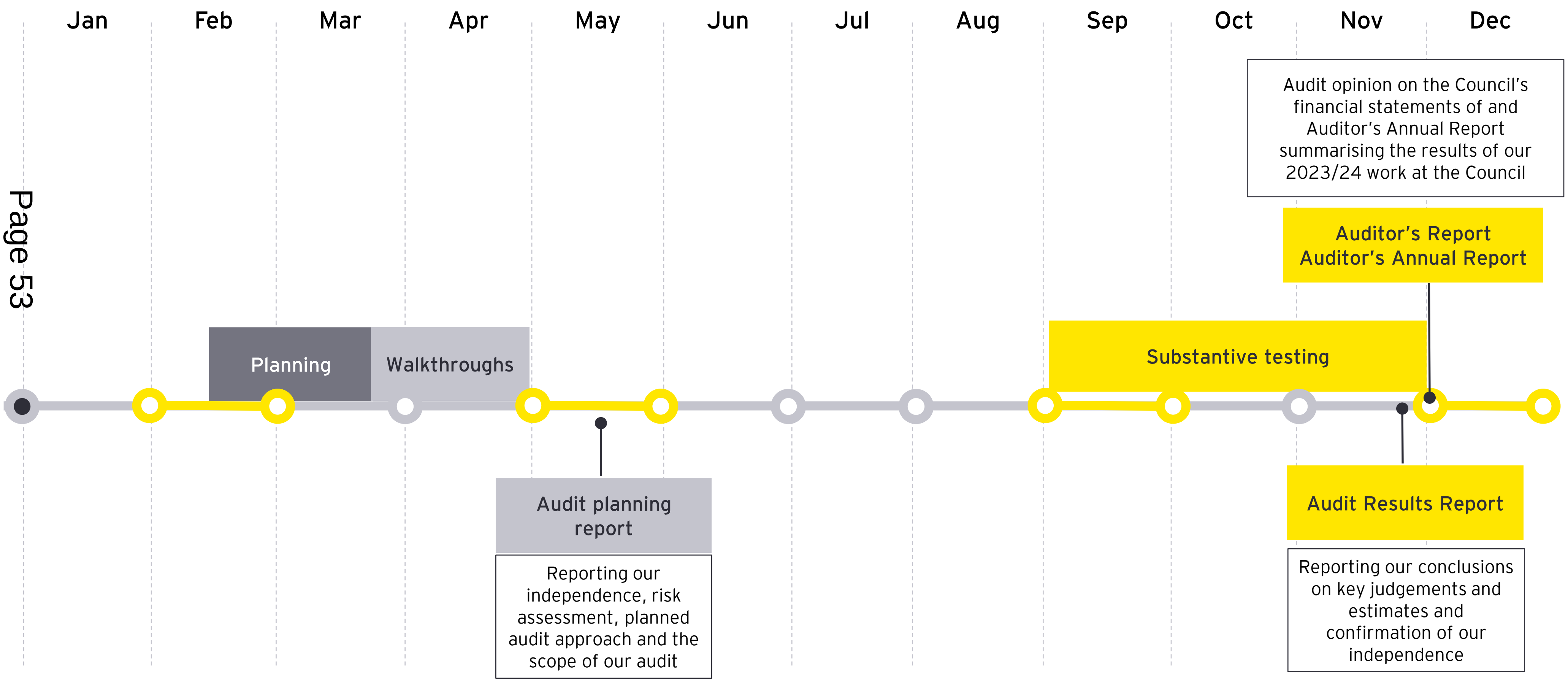

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08 Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence ► The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the Civic Affairs Committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service). ► All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit/additional services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ► An opportunity to discuss auditor independence issues.

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In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. We do not plan to perform any non-audit work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: EY UK 2023 Transparency Report.

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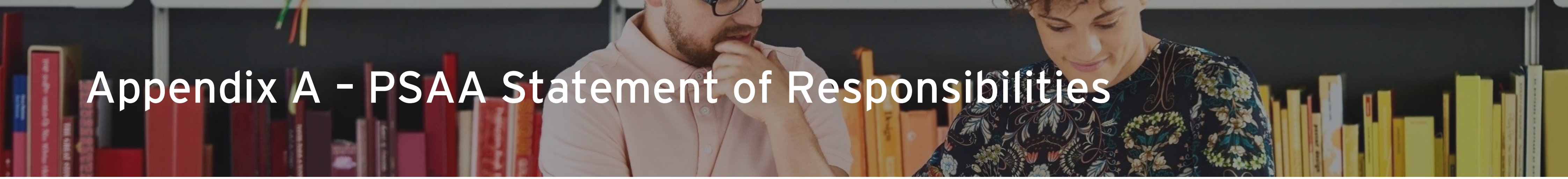
09 Appendices



Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- *provide necessary resources to enable delivery of the plan;*
- *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- *during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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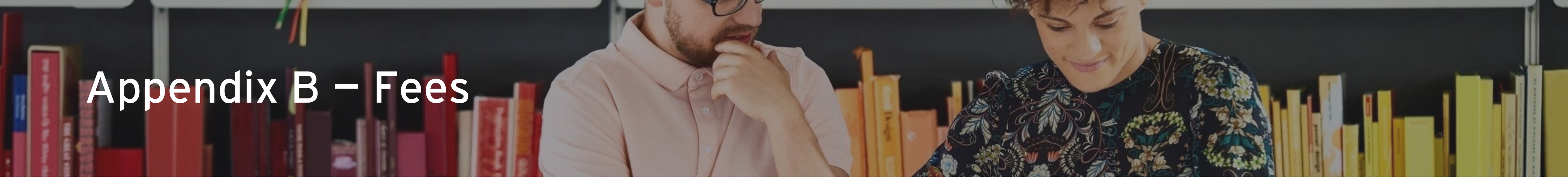

Appendix B — Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee.

	Current Year	Scale fee	Prior Year
	£'s	£'s	£'s
Total Fee - Code Work	421,745	421,745	157,827
Scale fee variation	TBC	-	TBC
Total audit	**TBC**	421,745	**TBC**
Total other non-audit services	**TBC**	**-**	**TBC**
Total fees	**TBC**	**421,745**	**TBC**

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

(2) For 2023/24 the planned fee represents the base fee, i.e. not including any extended testing.

The revision to ISA (UK) 315 will impact on our scope and approach and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this.

The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Lower materiality level based on expectation of users of the Council's financial statements
- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

Appendix C — Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Authority/Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	▸ CIPFA have confirmed the re will be no further delay of the introduction of the leases standard IFRS 16. ▸ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability. ▸ Lease liabilities and right of use assets will be subject to more frequent remeasurement. ▸ The standard must be adopted by 1 April 2024 at the latest.	▸ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements. ▸ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024. ▸ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

Appendix C — Accounting and regulatory update (optional)

Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council/Authority:

Name	Summary of key measures	Impact on 2023/24

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:
	‣ Risk Assessment
	‣ Understanding the entity's internal control
	‣ Significant risk
	‣ Approach to addressing significant risk (in combination with ISA 330)
	The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:
	‣ Drive consistent and effective identification and assessment of risks of material misstatement
	‣ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
	‣ Modernise ISA 315 to meet evolving business needs, including:
	    ‣ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
	    ‣ how auditors understand the entity's use of information technology relevant to financial reporting.
	‣ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.
		We will need to obtain an understanding of the IT processes related to the IT applications of the Council/Authority.
		We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.
		When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.
		We also review the following processes for all relevant IT applications:
		‣ Manage vendor supplied changes
		‣ Manage security settings
		‣ Manage user access
		‣ Manage entity-programmed changes
		‣ Job scheduling and managing IT process

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Appendix D — The Spring Report

A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the report (accif.co.uk).

Appendix E – Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ► The planned scope and timing of the audit ► Any limitations on the planned work to be undertaken ► The planned use of internal audit ► The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - July 2024 - Audit Committee
Significant findings from the audit	► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	Audit Results Report - November 2024 - Audit Committee

Appendix E — Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	Audit Results Report - November 2024 - Audit Committee
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management	Audit Results Report - November 2024 - Audit Committee
Fraud	▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility	Audit Results Report - November 2024 - Audit Committee

Appendix E — Required communications with the Audit Committee (cont'd)

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Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report – November 2024 – Audit Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Plan – July 2024 – Audit Committee Audit Results Report – November 2024 – Audit Committee

Appendix E — Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
External confirmations	► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report - November 2024 - Audit Committee
Consideration of laws and regulations	► Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ► Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report - November 2024 - Audit Committee
Internal controls	► Significant deficiencies in internal controls identified during the audit	Audit Results Report - November 2024 - Audit Committee
Group audits	► An overview of the type of work to be performed on the financial information of the components ► An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ► Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ► Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ► Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Audit Results Report - November 2024 - Audit Committee

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Appendix E – Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - November 2024 - Audit Committee
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - November 2024 - Audit Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - November 2024 - Audit Committee
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - November 2024 - Audit Committee
Fee Reporting	▸ Breakdown of fee information when the audit plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan - July 2024 - Audit Committee Audit Results Report - November 2024 - Audit Committee
Value for Money	▸ Risks of significant weakness identified in planning work ▸ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.	Audit Plan - July 2024 - Audit Committee Audit Results Report - November 2024 - Audit Committee Auditor's Annual Report - November 2024 - Audit Committee

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Appendix F — Additional audit information

Regulatory update

Our objective is to form an opinion on the Council's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in . We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

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Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- Maintaining auditor independence

Appendix F — Additional audit information (cont’d)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- Examining and reporting on the consistency of consolidation schedules or returns with the Group’s audited financial statements for the relevant reporting period

We have included in Appendix E a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

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For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that… so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations …"

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

The International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and

Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter	Implication
▸ Suspected or known fraud or bribery	▸ Potential fraud/breach of anti-bribery legislation
▸ Health and Safety incident	▸ Potential breach of section 2 of the Health and Safety at Work Act 1974
▸ Payment of an unlawful dividend	▸ Potential breach of Companies Act 2006
▸ Loss of personal data	▸ Potential GDPR breach
▸ Allegation of discrimination in dismissal	▸ Potential non-compliance with employment laws
▸ HMRC or other regulatory investigation	▸ Suspicion of non-compliance with laws/regulations
▸ Deliberate journal mis-posting or allegations of financial impropriety	▸ Potential fraud / breach of Companies Act 2006
▸ Transacting business with sanctioned individuals	▸ Potential breach of sanctions regulations

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years

Management response:

- Timely communication of the matter to auditors (within a couple of days)
- Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both
- Scope the investigation, in discussion with the auditors
- Evaluate findings and agree next steps
- Determine effect on financial statements including disclosures
- Prepare a paper, summarising the outcome of the investigation and management's conclusions
- Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- Engage external specialists where needed
- Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

- Initial assessment of the NOCLAR matter and its potential impact
- Initial consultation with risk team to determine responsive procedures and the involvement of specialists
- Understand and agree scope of management's investigation with support from specialists as needed
- Evaluate findings and undertake appropriate audit procedures
- Determine audit related impact including accounting and disclosure and audit opinion implications
- Document and consult on the outcome of our procedures
- Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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Havering Pension Fund External Audit Plan

Year ended **31 March 2024**

11 June 2024

Building a better working world

11 June 2024

Members of the Audit Committee
London Borough of Havering
Town Hall
Main Road
Romford RM1 3BB

Dear Audit Committee Members,

Havering Pension Fund External Audit Plan

We are pleased to attach our Audit Plan for the forthcoming meeting of the Audit Committee. The purpose of this report is provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for Havering Pension Fund. We have aligned our audit approach and scope with these.

This report is intended solely for the information and use of the Audit Committee and Management and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 25 July 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson
For and on behalf of Ernst & Young LLP
Enc

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit Committee and management of Havering Pension Fund in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee and management of Havering Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Havering Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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01 Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

The following ‘dashboard’ summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Management override and incorrect posting of investment income journals	Fraud risk	No change in risk or focus	As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. We believe that the management override of controls is most likely to affect in year Investment Income, specifically through incorrect journal postings.
Valuation of complex investments (unquoted investments)	Significant risk	No change in risk or focus	The Fund’s Investments includes a significant balance of Level 3 investments such as unquoted pooled investment vehicles, property and private equity. The Pension Fund held £276 million Level 3 investments as at 31 March 2024. Judgements are taken by Investment Managers to value those investments whose prices are not publicly available. There is a risk that these are materially misstated given the complexity of the measurement and degree of estimation involved.
IAS26 Disclosure – Actuarial Present Value of Promised Retirement Benefits	Inherent risk	No change in risk or focus	Every three years, a formal valuation of the whole Fund is carried out under the Local Government Pension Scheme Regulations 2013 to assess and examine the ongoing financial position of the Fund. The last fund valuation was 31 March 2022 as the fund’s liability was recalculated by the actuary and was used to set employer contribution rates and underpin investment management strategy. IAS26 requires post-employment benefits plans to disclose annually the basis used to determine the actuarial present value of promised retirement benefits, including demographic and financial key assumptions. The estimate is based on a roll-forward of data from the previous triennial valuation in 2022, updated where necessary, and takes into account various factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the fund. We consider there is a risk around the estimation process, data used and assumptions used by the actuary when valuing the fund which is reflected in the IAS26 disclosures.

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Overview of our 2023/24 audit strategy

Materiality

Planning materiality

£9.7m

Materiality has been set at £9.7 million (prior year was £9.0 million), which represents 1% of the net assets of the scheme as disclosed in the 2023/24 draft accounts. This is the same % we applied in the prior year. The Pension Fund is a public interest entity and a major local authority based on its size and as such, we have determined that planning materiality of 1% is an appropriate level.

Performance materiality

£7.3m

Performance materiality has been set at £7.3 million (prior year was £6.7 million), which represents 75% of materiality. This is the upper end of our range based on the low level of errors identified in previous years and is consistent with the level we applied in the prior year.

Audit differences

£0.5m

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Account) greater than £0.5 million (prior year was £0.4 million). Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2023/24 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Havering Pension Fund (the Pension Fund) give a true and fair view of the financial transactions during the year ended 31 March 2024 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2024; and
- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of London Borough of Havering.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of Havering Pension Fund's audit, we will discuss these with management as to the impact on the scale fee.

Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Effect of ISA (UK) 315

The Financial Reporting Council (FRC) has published revisions to International Standards on Auditing (UK) 315, *Identifying and Assessing the Risks of Material Misstatement*. The standard is effective for audits of financial statements for periods ending on or after 15 December 2021. ISA 315 was effective from 2022/23 financial statements for Havering Pension Fund.

The revisions have a significant impact on our scope and approach, requiring auditors to:

- Enhance the audit risk assessment process
- Better focus responses to identified risks
- Evaluate the impact of technology on key processes supporting the production of the financial statements, particularly where a fully or partially substantive audit approach has been taken previously.

For the audit of the Pension Fund, we have historically taken a fully substantive approach. We adopted this approach because it was more efficient to perform a greater extent of substantive testing rather than relying on controls.

The revisions to ISA 315 recognise the criticality of technology to the processing of transactions, and now require us, as auditor, to identify and evaluate the design and implementation of IT general controls, including for processes where we have not sought to place IT- reliance in past audits.

We intend to take a fully substantive audit approach for 2023/24 audit.

Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effect of ISA (UK) 240

Effects of ISA (UK) 240 In May 2021, the FRC issued the revised ISA (UK) 240, The Auditor's Responsibilities Relating to Fraud in the Financial Statements to clarify the responsibilities of auditors. The standard is effective for audits of financial statements for periods beginning on or after 15 December 2021. It was effective from 2022/23 financial statements for Havering Pension Fund.

The revisions have a significant impact on our approach, requiring auditors to:

- Increase focus on professional scepticism
- Remain alert and investigate further if there are conditions that indicate evidence provided to the auditors may not be authentic or has been tampered with
- When considering if actual or suspected fraud is material, consider both qualitative and quantitative characteristics of the fraud
- Consider if specialist skills are required to perform risk assessment, audit procedures or evaluate evidence obtained
- Increase discussion amongst the audit team including the exchanging of ideas as to how management or others within the entity could perpetrate or conceal fraud.

Management and those charged with governance should expect to see a more interactive approach to risk assessment including additional enquiries of those within an entity who deal with allegations of fraud raised by employees or other parties', discussions over the entities perceived risk of material fraud and any specific risks to the industry or sector the audit client is within.

Timeline

We are working with the Pension Fund to deliver the audit ahead of 30 November. In Section 06 we include a provisional timeline for the audit.

Key Audit Partner and senior audit team

Partner – Mark Hodgson

The Engagement Partner has overall responsibility for:

- The audit and its performance
- The auditor's report that is issued on behalf of EY
- The overall quality of the audit

Senior Manager – Jacob McHugh

The Manager has responsibility for management of the audit and ensuring that it is adequately resourced to meet both its time and budget constraints. They will also support the individual engagement team members to complete timely high quality audit fieldwork.

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02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

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What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to penetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks
- Understanding the oversight given by those charged with governance of management's processes over fraud
- Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions)
- Consideration of the effectiveness of management's controls designed to address the risk of fraud
- Determining an appropriate strategy to address those identified risks of fraud
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements

Our response to significant risks

Management override and incorrect posting of Investment Income journals

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have considered the specific areas where this risk may be manifested. Fund income is a key metrics for measuring the performance of the Pension Fund. We consider that management has an incentive to increase in year income reported in the financial statements and is in a unique position to influence the posting of year end investment journals. There is therefore a risk this may result in misstatements either due to fraud or error.

We believe that the risk of management override of controls is most likely to affect in year investment income, specifically through incorrect journal postings.

What will we do?

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries for evidence of management bias and evaluate for business rationale.

To respond to the specific fraud risk we have identified relating to the incorrect posting of investment income journals we will perform the following additional audit procedures:

- Undertake a review of the reconciliation to the fund manager and custodian reports for investment income to investigate any significant reconciling differences;
- Re-perform the detailed investment income note using the reports we have acquired directly from the custodian or fund managers; and
- Reconcile holdings included in the Net Assets Statement back to the source reports.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Valuation of complex investments (unquoted investments)

Financial statement impact

Misstatements that occur in relation to complex investments valued at Level 3 fair value hierarchy such as unquoted equities, property and pooled investment could affect the valuation of the Net Assets.

Total of Level 3 investments held by the Fund at 31 March 2024 was £276 million (PY was £251 million), over 29% of the overall Fund.

What is the risk, and the key judgements and estimates?

The Fund's investments include unquoted pooled investment vehicles such as private equity, infrastructure and property investments.

Judgements are made by the investment managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.

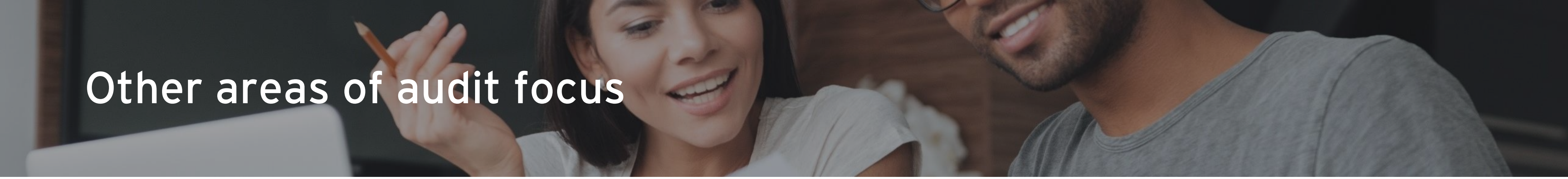
Our response: Key areas of challenge and professional judgement

Our approach will focus on:

- Analysing a schedule of investments to ensure correct classification, presentation and disclosure of items in the financial statements and corresponding notes.
- Understanding and evaluating of the work of management's experts.
- Evaluating the ISAE 3402 report for Custodian and/or Fund Managers where applicable.
- Reviewing the latest audited accounts for the relevant Fund Managers to ensure there are no matters arising that highlight weaknesses in the funds valuation.
- Where the latest audited accounts are not as at 31 March 2024, making inquiry of what procedures management have performed to take account of this risk, performing analytical procedures and checking the valuation output for reasonableness against our own expectations.
- Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used.
- Reviewing investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 Investments have been appropriately made in the financial statements.

What else will we do?

- Perform triangulation work to agree amount per the financial statements to Fund Manager and to Custodian.
- Testing accounting entries have been correctly processed in the financial statements.
- Assessing topside adjustments and/or journal entries for evidence of management bias and evaluate for business rationale.
- If necessary, our internal valuation specialists will support our work in this area.



Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

IAS 26 Disclosure – Actuarial Present Value of Promised Retirement Benefits

IAS26 requires post-employment benefits plans to disclose annually the basis used to determine the actuarial present value of promised retirement benefits, including demographic and financial key assumptions.

The estimate is based on a roll-forward of data from the previous triennial valuation in 2022, updated where necessary, and takes into account various factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the fund.

We consider there is a risk around the estimation process, data used and assumptions used by the actuary when valuating the fund which is reflected in the IAS26 disclosures.

Our response: Key areas of challenge and professional judgement

Our approach will focus on:

- Assessing the competence of management's actuary, Hymans Robertson.
- Engaging with the NAO's consulting actuary, PwC, and our EY Pensions Advisory Team to review the IAS26 approach and assumptions applied by management's actuary are reasonable and compliant with IAS26.

What else will we do?

- Ensuring that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.

03 Audit materiality

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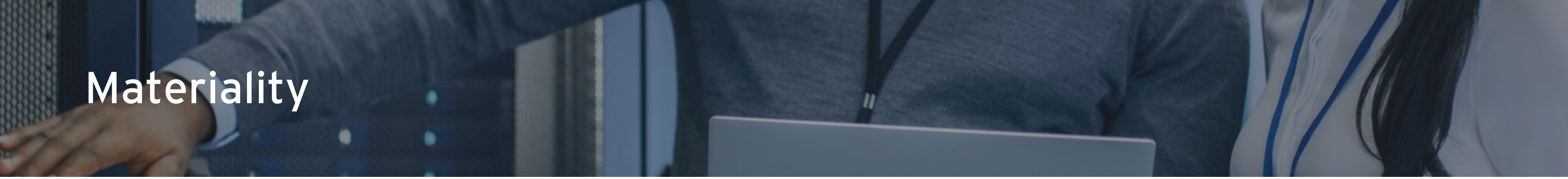

Materiality

Group materiality

For planning purposes, materiality for 2023/24 has been set at £9.7 million. This represents 1% of the Pension Fund's net assets disclosed in the 2023/24 draft accounts. It will be reassessed throughout the audit process. In an audit of a Pension Fund we consider the net assets to be the appropriate basis for setting the materiality as they represent the best measure of the schemes' ability to meet obligations rising from the pension liabilities. We have provided supplemental information about audit materiality in Appendix C.

Net Assets

£946m

(PY: £0.879 bn)

Planning materiality
£9.7m
(PY: £9.0m)

Performance materiality
£7.3m
(PY: £6.7m)

Audit differences
£0.5m
(PY: £0.4m)

We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £7.3 million which represents 75% of group materiality. We have considered factors such as the number of errors in the prior year, the adequacy of the control environment, and any significant changes in 2023/24 when determining the percentage of performance materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

Other uncorrected misstatements, such as reclassifications and misstatements or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee or are important from a qualitative perspective.

04 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers the Financial statement audit.

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the Fund Account and Net Asset Statement for the Pension Fund for the period in question, including on the consistency of the Pension Fund financial statements within the Pension Fund Annual Report with the published financial statements of Havering County Council; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Reviewing, and reporting on as appropriate, other information published with the financial statements.

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Audit process and strategy

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.
- Reliance on the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work.

Our initial assessment of the key processes across the Pension Fund has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will review Internal Audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

05 Audit team

Use of specialists

Audit team

The engagement team is led by Mark Hodgson (Partner In Charge), who has significant experience on Local Government Pension Fund audits.

Mark is supported by Jacob McHugh (Engagement Manager), who is responsible for the day-to-day direction of audit work and are the key points of contact for the finance team. The audit team will be led by Meenu T Scaria (Lead Senior).

Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Pension Fund valuation and disclosures	Hymans Robertson (Havering Pension Fund Actuary) PwC (Consulting Actuary to the NAO on behalf of audit providers) EY Pension Advisory Team
Investment valuation	The Pension Fund's Custodian and Fund Managers

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements

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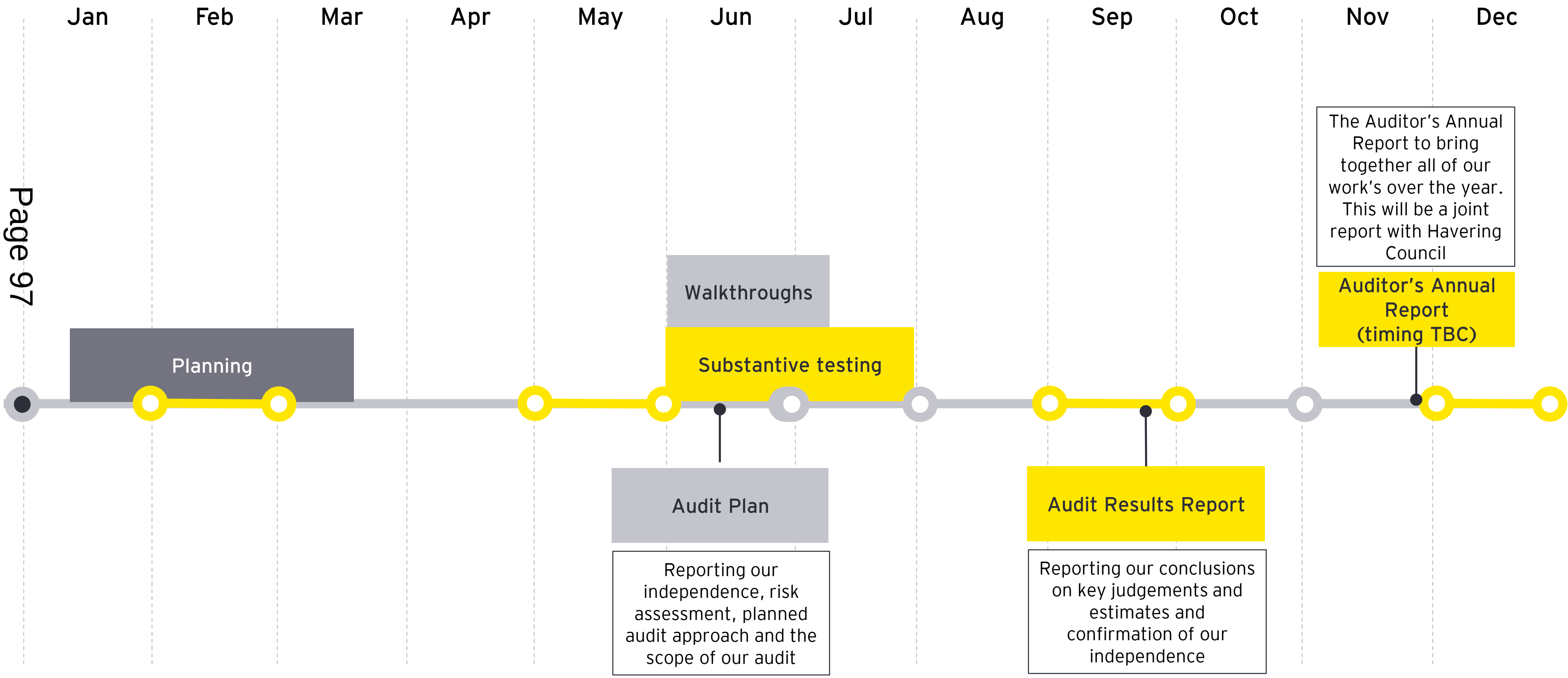
06 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.



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07 Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the audit or external experts used have confirmed their independence to us;
- Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- An opportunity to discuss auditor independence issues.

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In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit Engagement Partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. For accounting period ended 31 March 2024 non-audit fees subject to the fee cap cannot exceed 70% of the average audit fees for the past three years.

At the time of writing, there are no non-audit services provided by us to the Pension Fund.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: EY UK 2023 Transparency Report.

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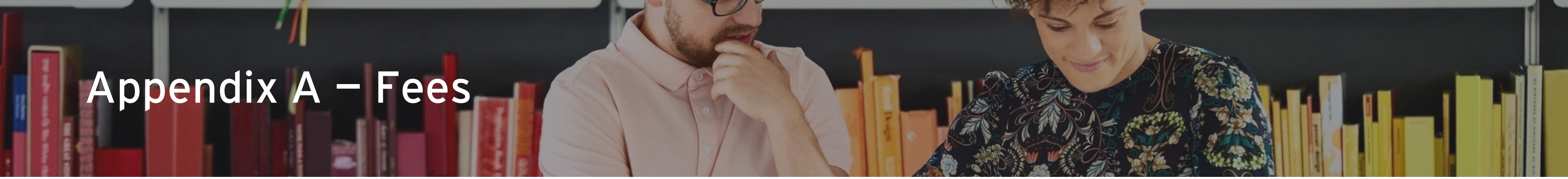
08 Appendices



Appendix A – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund; and
- The Pension Fund has an effective control environment.
- The Pension Fund complies with PSAA's Statement of responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Pension Fund should have regard to paragraph 27 of the Statement of responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

	Scale fee 2023/24	Prior Year 2022/23
	£'s	£'s
Total Fee – Code Work	85,945	24,795
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	TBC	26,990
Total audit	**85,945**	**51,785**
Additional work required for specific additional procedures (Note 2)	TBC	TBC
Additional fee in respect of work on behalf of admitted body auditors (recharges to the Pension Fund) (Note 3)	TBC	TBC
Total fees	**TBC**	**TBC**

All fees exclude VAT

(1) We do not believe that the scale fee for 2022/23 fully reflected the true costs of the audit, including changes in the audit market and increases in regulation, which we will continue to submit through the PSAA. In addition, the scale fees for both 2022/23 and 2023/24 do not include the work in respect of ISA (UK) 315.

(2) For 2023/24 there are a number of risk factors to the audit as outlined within this audit plan. The final fee will be subject to determination by PSAA. This also applies to 2022/23 audit which we have not concluded.

(3) We plan to charge an additional fee to take into account the work required to respond to IAS19 assurance requests from Admitted bodies and their auditors. The Pension Fund can recharge this fee to the relevant admitted bodies.

Appendix B — Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ► The planned scope and timing of the audit ► Any limitations on the planned work to be undertaken ► The planned use of internal audit ► The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - 25 July 2024 - Audit Committee
Significant findings from the audit	► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	Audit Results Report - 16 October 2024 - Audit Committee

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Appendix B — Required communications with the Audit Committee (cont'd)

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		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	Audit Results Report - 16 October 2024 - Audit Committee
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management	Audit Results Report - 16 October 2024 - Audit Committee
Subsequent events	▶ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - 16 October 2024 - Audit Committee
Fraud	▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility	Audit Results Report - 16 October 2024 - Audit Committee

Appendix B — Required communications with the Audit Committee (cont'd)

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Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - 16 October 2024 - Audit Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence ► Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. ► Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided.] For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ► Relationships between EY, the company and senior management, its affiliates and its connected parties ► Services provided by EY that may reasonably bear on the auditors' integrity, objectivity and independence ► Related safeguards ► Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees	Audit Plan - 25 July 2024 - Audit Committee Audit Results Report - 16 October 2024 - Audit Committee

Appendix B — Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	► A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ► Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy ► Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ► The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report - 16 October 2024 - Audit Committee
Consideration of laws and regulations	► Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ► Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report - 16 October 2024 - Audit Committee
Internal controls	► Significant deficiencies in internal controls identified during the audit	Audit Results Report - 16 October 2024 - Audit Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - 16 October 2024 - Audit Committee
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - 16 October 2024 - Audit Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 16 October 2024 - Audit Committee
Auditors report	► Key audit matters that we will include in our auditor's report ► Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - 16 October 2024 - Audit Committee

Appendix C — Additional audit information

Regulatory update

Our objective is to form an opinion on the Fund's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

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Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- Maintaining auditor independence.

Appendix C — Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code	► Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Report.
Procedures required by the UK Listing Rules and the Disclosure and Transparency Rules (DTR)	► We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

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We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Fund financial statements
- The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations …"

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

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Auditor Responsibilities

The International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and

Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter	Implication
Suspected or known fraud or bribery	Potential fraud/breach of anti-bribery legislation
Health and Safety incident	Potential breach of section 2 of the Health and Safety at Work Act 1974
Payment of an unlawful dividend	Potential breach of Companies Act 2006
Loss of personal data	Potential GDPR breach
Allegation of discrimination in dismissal	Potential non-compliance with employment laws
HMRC or other regulatory investigation	Suspicion of non-compliance with laws/regulations
Deliberate journal mis-posting or allegations of financial impropriety	Potential fraud / breach of Companies Act 2006
Transacting business with sanctioned individuals	Potential breach of sanctions regulations

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years

Management response:	Audit response:
Timely communication of the matter to auditors (within a couple of days)	Initial assessment of the NOCLAR matter and its potential impact
Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both	Initial consultation with risk team to determine responsive procedures and the involvement of specialists
Scope the investigation, in discussion with the auditors	Understand and agree scope of management's investigation with support from specialists as needed
Evaluate findings and agree next steps	Evaluate findings and undertake appropriate audit procedures
Determine effect on financial statements including disclosures	Determine audit related impact including accounting and disclosure and audit opinion implications
Prepare a paper, summarising the outcome of the investigation and management's conclusions	Document and consult on the outcome of our procedures
Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.	Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

Key Reminders:

- Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- Engage external specialists where needed
- Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

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LONDON BOROUGH

AUDIT COMMITTEE
25 July 2024

Subject Heading:	Annual Treasury Management Report 2023/24
SLT Lead:	Kathy Freeman Strategic Director of Resources and S151 Officer
Report Author and contact details:	Tony Piggott Treasury Manager 01708 434 368 Tony.piggott@havering.gov.uk
Policy context:	This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the prudential and treasury indicators for 2023/24. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management,(“the CIPFA TM code”) and the CIPFA Prudential Code for Capital Finance in Local Authorities, (“the Prudential Code”)
Financial summary:	The Treasury Strategy supports the Authority’s Budget strategy.

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

People – Things That Matter for Resident's	x
Place – A great place to Live, Work and Enjoy	x
Resources – A Well-run Council That delivers for People and Place	x

SUMMARY

The CIPFA TM Code requires that authorities report on the performance of the treasury management function to Full Council at least twice per year (mid-year and at year-end).

The Authority's Treasury Management Strategy Statement (TMSS) 2024/25 was approved by Full Council on the 1 March 2024. This backward looking report covers the delivery of the TMSS in 2023/24.

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

RECOMMENDATIONS

- To note the content of treasury management activities and performance against targets for the financial year 2023-24 as detailed in the report.

KEY HIGHLIGHTS

- Investment income £3.5m
- Interest payable £11.0m, Net Interest Expense £7.5m.
- The Authority's long term debt are fixed at an average rate of 3.47%.
- 1 year debt was taken during February & March 2024 totalling £118m @5.0%
- During the year treasury exceeded its Investment benchmark of 3 month SONIA @4.64%% delivering a yield of 5.04%.
- During 2023/24 this Authority's treasury activities remained within the treasury limits and prudential indicators set out in the TMSS.

REPORT DETAIL

1. Background

1.1. Introduction

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the TM Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2023/24 the minimum reporting requirements were that the Authority should receive the following reports:

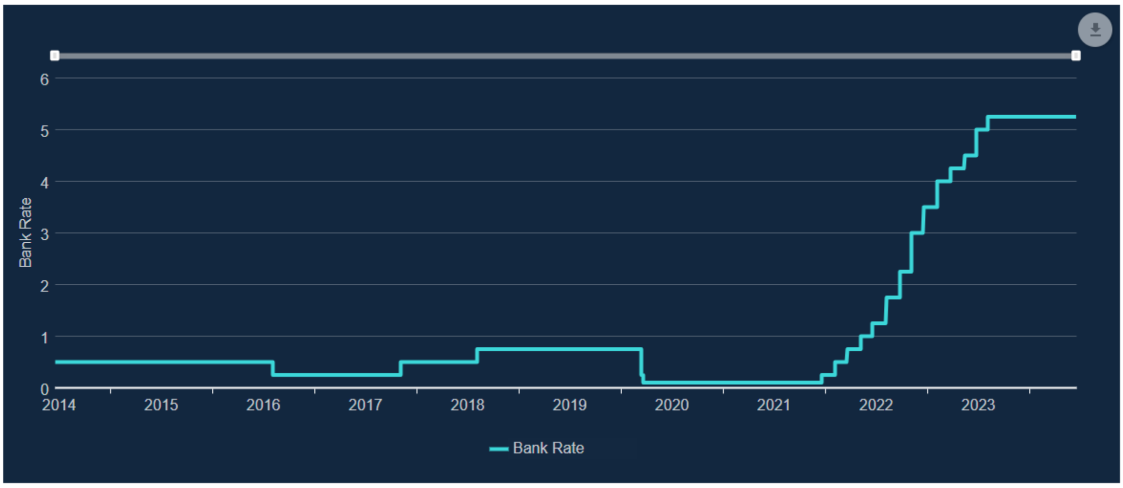
- An annual treasury strategy in advance of the year (Council 3 March 2023)
- A mid-year, (minimum), treasury update report (Audit Committee 18 October 2023)
- An annual review following the end of the year describing the activity compared to the strategy, (this report).

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

1.2. Economic

The Bank of England (BoE) Monetary Policy Committee (MPC) continued to increase the Bank Rate, moving in stepped increases of either 0.25% or 0.50%, from 4.25% in April 2023 to 5.25% by the end of the financial year, see chart below.

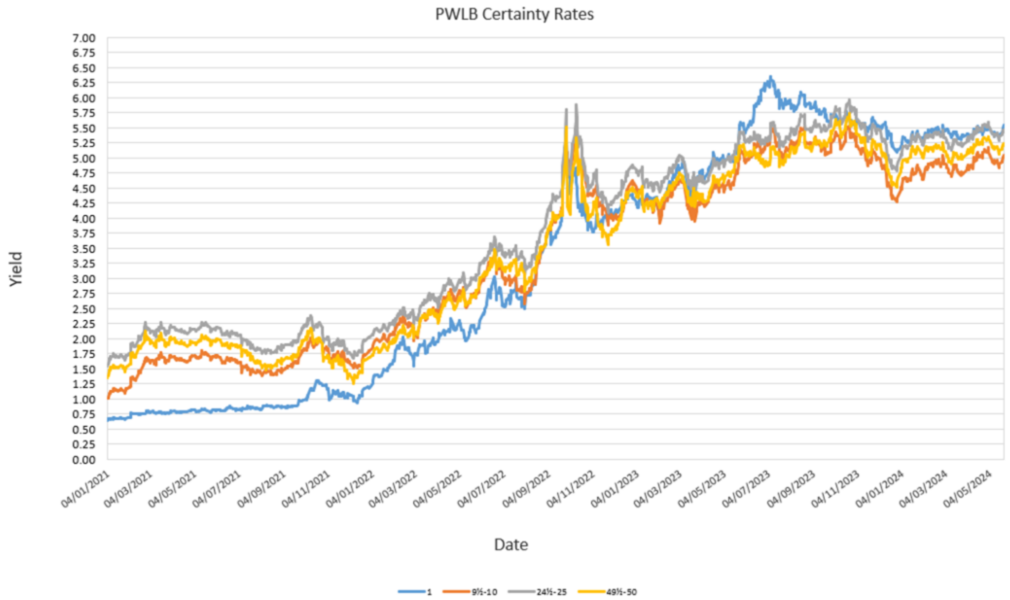
Official Bank Rate



UK Inflation as measured by the CPI continued to fall during the year closing at 2.3% in April 2024, slightly above the (BoE) target of 2%. The Bank rate peaked in August 2023 and expectations of dramatic rate cuts during the 2nd half of 2023-24 faded as stubborn inflation and geopolitical tensions kept long term rates elevated.

UK Gilt yields (which drive PWLB interest rates) were little changed during the year as the year-end rally gave way to fading hopes of rate reductions in the final quarter of the financial year. As at the 31 March 2024, all PWLB yields from 1 to 50 years were between 4.90% and 5.30%, see chart below.

Graph 1: PWLB Rates 2021/24



Treasury Management Summary

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

Table 1: Treasury management summary as at 31 March 2024

	01.04.23		31.03.24	2023-24	2023-24	2023-24
	Opening Balance	Movement	Closing Balance	Interest	Average Balance	Weighted Average Rate
	£m	£m	£m	£m	£m	%
LONG-TERM BORROWING						
PWLB	307.124	118.000	425.124	9.296	315.736	2.94
LOBO	7.000	0	7.000	0.252	7.000	3.60
Short-term borrowing	13.653	6.611	20.264	1.489	30.695	4.84
Total borrowing	**327.777**	**124.611**	**452.388**	**11.037**	**353.431**	**3.12**
INVESTMENTS						
Short-term investments	30.200	40.800	71.000	3.503	69.270	5.04
Total investments	**30.200**	**40.800**	**71.000**	**3.503**	**69.270**	**5.04**
Net borrowing	**297.577**	**83.811**	**381.388**	**7.145**		

2. Borrowing strategy

3.1 Table 2 sets out the change in the Authority's Capital Financing Requirement (CFR) in 2023/24 – this measures how the Authority's underlying borrowing need has changed in year as a result of activity on its approved capital programme and how it has been financed. The Authority's capital finance budget includes provision to fund the capital programme's expected borrowing requirement from new long term fixed rate debt.

Table 2: CFR and its financing 2023/24

	01/04/23 Actual £m	31/03/24 Budget £m	31/03/24 Actual £m
GF CFR	212	358	**221**
HRA CFR	347	456	**397**
Total CFR	**559**	**814**	**618**
Financed by:			
Internaly borrowed cash position	231	259	**165**
External long term Debt:	315	555	**433**
External Short term Debt:			
GF	13	0	**20**

3.2 The short term strategy involved using the Authority's cash balances to fund the 2023/24 borrowing requirement in the capital programme. In addition 1 year borrowing for the HRA was entered into in February & March 2024 totalling £118m.

3.3 The Authority's debt portfolio is fixed at an average rate of 3.55% with an average duration of 17 years.

3.4 The S151 officer balanced the need to minimise the costs from funding the CFR by using internal cash balances and defer the drawdown of more expensive long term debt against the protection it offers in reducing interest rate risk and stabilising capital finance costs in the budget strategy. Slippage on the capital programme in 2023/24 has meant the Authority's cash balances have remained higher than planned. This strategy of deferring long term borrowing resulted in significant savings in the 2023/24 capital finance budget as detailed in table 4 below. This strategy may need to be reviewed should interest rates remain higher for longer.

Table 4: Capital finance outturn 2023/24

Item	HRA £m	General Fund £m
Interest payable		
Budget	8.0	5.1
Outturn	10.6*	3.7
Underspend/(Overspend)	**(2.6)**	**1.4**
Interest receivable		
Budget	0	1.2
Outturn	0	6.8*
Underspend	**0**	**5.6**
Net Underspend/(Overspend)	**(2.6)**	**7.0**

* includes £3.3m of interest owed to the GF from the HRA for use of GF cash balances

3.5 Debt Rescheduling

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

3.6 LOBO Loan

The Authority holds a £7m LOBO (Lender Option, Buyer Option) loan with Danske Bank who has the option to propose an increase in the interest rate at set dates, while the Authority then has the option to either accept the new rate or to repay the loan at no additional cost. Danske Bank have indicated there is a very low probability they will alter the rate in the foreseeable future, Officers will continue to monitor and liaise with Danske Bank going forward.

3. Investment strategy

4.1 The Authority's cash investments increased during the year as proceeds from PWLB issuance (£118m) were received to reduce the internal borrowing position. . Investments increased from £30.2m to end the year at £71.0m, as shown in Table 5 below.

4.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and yield in that order. Officers kept treasury investments in short-term instruments in 2023/24 so they could be used to fund the capital programme whilst maintaining a liquidity buffer of £40m as a contingency against any future credit crisis. The Authority has benefited from this strategy as it has been able to take advantage of the increase in short term interest rates.

Table 5: Treasury investment activity 2023/24

	01.04.23		31.03.24	
	Opening Balance	Movement	Closing Balance	Interest rate %
	£m	£m	£m	£m
Investments				
Local Authorities	0	55.000	55.000	6.19
Debt Management office (DM0)	30.200	(14.200)	16.000	5.19
Total Investments	**30.200**	**40.800**	**71.000**	**5.96**

* Interest rate at 31 March 2024.

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

5. Budgeted Income and Return

5.1 The authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below:

Table 6: Treasury investment performance 2023-24

	Benchmark Weighted average 3 Month Sonia %	Actual Weighted rate of return achieved %	Difference %
2023-24	**4.64**	**5.04**	**+ 0.40**

6. Regulatory Changes

6.1 The revised CIPFA code was explained in last year's report and came into effect in 2023/24 financial year. Members received training on this in January 2024 from LINK our treasury advisors.

7. Compliance with Treasury and Prudential Limits

7.1 During the year, the Authority has operated within the treasury limits and Prudential Indicators set out in the authority Treasury Management Strategy Statement and in compliance with the authority's Treasury Management

Practices. An update on indicators and limits are reported in Appendix A of this report.

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

IMPLICATIONS AND RISKS

Financial implications and risks:

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

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

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

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

Legal implications and risks:

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

Human Resources implications and risks:

There are no HR implications from this report

Equalities implications and risks:

There are no Equalities implications arising from this report.
The report has no direct equalities implications.
The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have ‘due regard’ to:

(i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) Foster good relations between those who have protected characteristics and those who do not.
Note: ‘Protected characteristics’ are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.
The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

Health and Wellbeing implications and risks:

The Council is committed to improving the quality of life and wellbeing for all Havering employees and residents in respect of socio-economics and health determinants. Whilst there are no direct implications to the Council’s workforce and residents health and wellbeing as a result of this report.

BACKGROUND PAPERS

None

Appendix A

Compliance Report

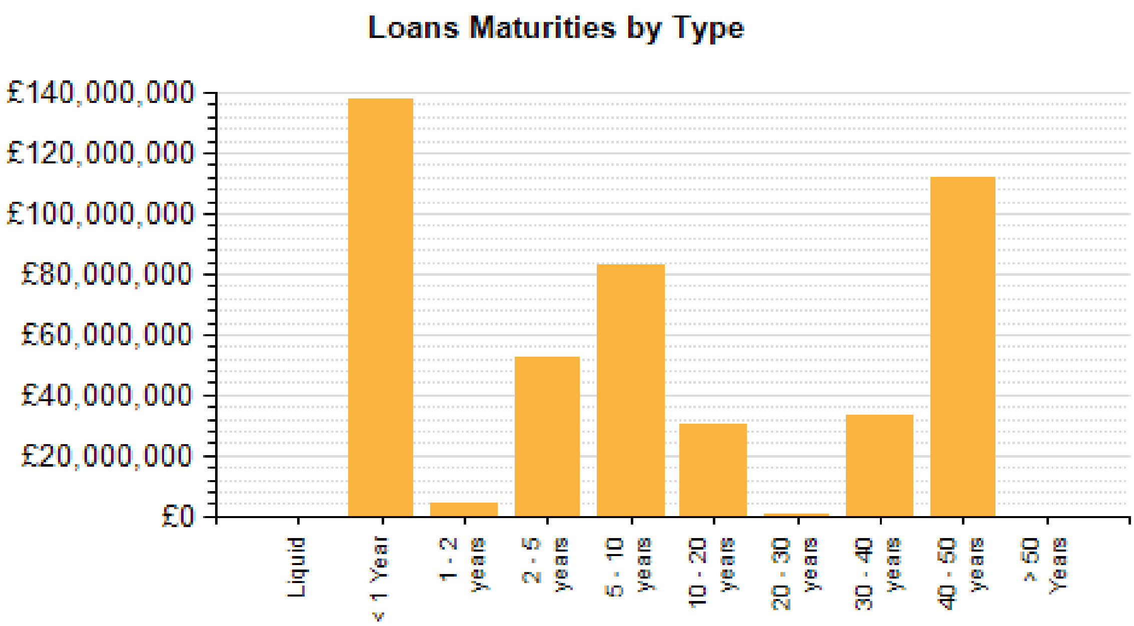
All treasury management activities undertaken during the financial year complied fully with the CIPFA Code of Practice and the authority's approved Treasury Management Strategy. Compliance with specific treasury limits is demonstrated in tables below.

1.1 Maturity Structure of Borrowing

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

Table 1: Loan maturity structure

	Upper %	Lower %	Actual %
Under 12 months	40	0	30.51
12 months and within 24 months	60	0	0.89
24 months and within 5 years	80	0	11.61
5 years and within 10 years	100	0	18.26
10 years and above	100	0	38.73



Tenor Bucket	Total			
	Amount	% of Total	Rate	Duration
Liquid	(£11,548)	0.00%	0.38%	-
< 1 Year	£137,999,529	30.51%	5.04%	0.83
1 - 2 years	£4,028,706	0.89%	3.40%	1.76
2 - 5 years	£52,511,718	11.61%	3.20%	3.98
5 - 10 years	£82,624,000	18.26%	3.30%	8.00
10 - 20 years	£30,000,000	6.63%	3.50%	18.00
20 - 30 years	£265,177	0.06%	2.25%	20.78
30 - 40 years	£32,959,855	7.29%	5.03%	32.63
40 - 50 years	£112,000,000	24.76%	1.66%	46.42
> 50 Years		0.00%		
Total	£452,377,437	100.00%	3.55%	17.27

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The average duration of the debt portfolio is 17.27 years.

1.2 Principal Sums Invested for Periods Longer than 364 days

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

1.2.2 The limits set in the 2023/24 treasury management strategy in comparison to the quarter one is set below. It is the authority's policy to classify investments with maturities exceeding one year as Long term investments.

Table 3: Investments for periods longer than 364 days

	2023/24 Limit £m	2023/24 Actual £m	2024/25 Limit £m
Limit on principal invested beyond year end	50	-	50

1.3 Security Treasury Indicator

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

Table 5: Security Treasury Indicator

	31.03.24 Actual	2023/24 Target
Portfolio average credit rating	A+	A+

1.4 Gross Debt and the Capital Financing Requirement (CFR)

1.4.1 In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. This is a key indicator of prudence. The estimates below are based on those set out in the approved TMSS 2023/24 – the capital programme is currently under review and are likely to change.

Table 6: Gross debt and the CFR at 31st March 2024

	31.03.24 Actual £m	31.03.24 Estimate £m	31.03.25 Estimate £m	31.03.26 Estimate £m
Long-term External Debt	432	457	665	749
Short-term External Debt	20	0	0	0
Total debt	**452**	**457**	**665**	**749**
TOTAL CFR	**618**	**814**	**924**	**988**
Internal Borrowing	166	357	259	239

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

1.5 Operational Boundary for External Debt

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

Table 7: Operational Boundary

Operational Boundary	**2023/24 £m**	**31.03.24 Actual**	**2024/25 £m**	**2025/26 £m**
Borrowing	720	452	900	1,090
Other long-term liabilities	10	0	10	10
Total	**730**	**452**	**910**	**1,100**

1.6 Authorised Limit for External Debt

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

Table 8: Authorised limit for external debt

Authorised Limit	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Borrowing	760	950	1,140
Other long-term liabilities	10	10	10
Total Debt	**780**	**960**	**1.150**
Long Term Debt	432	432	432
Headroom available (amount)	**348**	**528**	**718**

Glossary of Terms **Appendix C**

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

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

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

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

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

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

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

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

Principal is the total amount being borrowed or lent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AUDIT COMMITTEE
25 JULY 2024

Subject Heading:	Risk Management Update
SLT Lead:	Kathy Freeman, Strategic Director of Resources
Report Author and contact details:	Jeremy Welburn Head of Assurance. Tel: 01708 432610 / 07976539248 E-mail: jeremy.welburn@onesource.co.uk
Policy context:	To provide the Committee with an update on the Strategic Risk Register and to note the updated and revised Risk Management Toolkit and Strategy.
Financial summary:	There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

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

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

SUMMARY

The Council's Strategic Risk Register is attached for review by Audit Committee.

RECOMMENDATION

The Council's Strategic Risk Register is attached for review by Audit Committee. The Committee is invited to consider, with the assistance of Officers, the current level of risk to which the Council is exposed.

REPORT DETAIL

1.1 The Strategic Risk Register is subject to regular review and risks were discussed at Governance and Assurance Board meetings, chaired by the Section 151 officer during the first half of 2023/24 and subsequently at the Executive Leadership Group since December 2023.

1.2 As part of this ongoing review, new risks may be added and existing risks amended or removed at any time changes are identified.

1.3 A summary version of the current Strategic Risk Register is provided in Appendix 1. This includes current likelihood and impact scoring of the risks based on assessment by the risk owner (using the risk matrix from the Council's Risk Management Strategy and Toolkit).

1.4 The Risk Management Strategy and Toolkit provides a comprehensive framework and process designed to support managers in ensuring that the Council is able to discharge its risk management responsibilities fully. The strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that we have in place to manage risk successfully.

1.5 Havering uses a 5 x 5 scoring matrix to assess the likelihood of a risk event occurring and the potential impact on the Council if it were to happen (below). The green shaded area on the matrix shows the risks where there is good control and the Council is comfortable with the level of risk. Risks in the amber and red zones are those over which closer control and further management action may be required.

Impact						
	Very High (5)	5	10	15	20	25
	High (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Low (2)	2	4	6	8	10
	Very Low (1)	1	2	3	4	5

	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
			Likelihood		

1.6 Work continues by the Internal Audit & Risk Team to further embed the risk management strategy at a Directorate level, including risk workshops and further training where required. This phase of work will ensure Directorate level risks are aligned to the strategic risks to ensure mitigating actions are managed consistently. This also includes wider rollout of access to JCAD, our Risk Management system, to make the process more efficient and effective; providing links to strategic objectives; easier monitoring and reporting, and demonstration of compliance with good risk management practices.

Appendices:

Appendix 1 – Risk Management Strategy
Appendix 2 – Strategic Risk Register as at June 2024

Financial implications and risks:

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

Legal implications and risks:

The Council is responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk (Regulation 3 of the Accounts and Audit Regulations 2015).

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

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;
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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.

London Borough Of Havering

Risk Management Strategy & Toolkit

2024

London Borough Of Havering

Document Control

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

Document details

Name	Risk Management Strategy & Toolkit 2024
Version number	V1
Author	Maria Denton, Deputy Head of Internal Audit & Risk
Lead Officer	Jeremy Welburn, Head of Assurance
Approved by	Audit Committee
Scheduled review date	April 2026

Version history

Version	Change	Date	Dissemination
V0.1	Review	07/03/2024	ELG, Audit Committee
V0.2			

Equality & Health Impact Assessment record

<table>
<tr><td>1</td><td>Title of activity</td><td colspan="3">Risk Management Strategy and Toolkit</td></tr>
<tr><td>2</td><td>Type of activity</td><td colspan="3">Revision and update of the Risk Management Strategy and Toolkit</td></tr>
<tr><td>3</td><td>Scope of activity</td><td colspan="3">Risk Management across the Council. Outcomes intend to provide a standard guidance and approach to risk management.</td></tr>
<tr><td>4a</td><td>Are you changing, introducing a new, or removing a service, policy, strategy or function?</td><td>No</td><td rowspan="3">If the answer to <u>any</u> of these questions is ‘YES’, please continue to question 5.</td><td rowspan="3">If the answer to <u>all</u> of the questions (4a, 4b & 4c) is ‘NO’, please go to question 6.</td></tr>
<tr><td>4b</td><td>Does this activity have the potential to impact (either positively or negatively) upon people (9 protected characteristics)?</td><td>No</td></tr>
<tr><td>4c</td><td>Does the activity have the potential to impact (either positively or negatively) upon any factors which determine people’s health and wellbeing?</td><td>No</td></tr>
<tr><td>5</td><td>If you answered YES:</td><td colspan="3">Please complete the EqHIA in Section 2 of this document. Please see Appendix 1 for Guidance.</td></tr>
<tr><td>6</td><td>If you answered NO: (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.)

Please keep this checklist for your audit trail.</td><td colspan="3">This is a revision and update of an existing strategy intended to provide guidance for all members of staff in how to approach risk management at the Council. For any staff with specific responsibilities their role is clearly outlined within the strategy, however, no one is excluded from accessing this information and applying this activities carried out as part of their role.</td></tr>
</table>

Date	Completed by	Review date
March 2024	**Maria Denton**	**April 2026**

Contents

Foreword

Risk management is not simply a compliance exercise but an indispensable element of good management and corporate governance, which is essentially the way an organisation manages its business, determines strategy and objectives, and goes about achieving its goals. All organisations face risks in undertaking their business in the sense that there exists the possibility that an event or action will adversely affect their ability to achieve objectives.

As an organisation we face a significant number of risks and it is therefore important that the Council recognise its responsibility to adopt a risk management process and we are fully committed to improving the effectiveness of risk management across the Council.

Ultimately, effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving our ability to deliver key priorities, improve outcomes for residents, maintain good governance and minimise any damage to its reputation.

Risk Management is the responsibility of everybody at the Council and the aim of this strategy is to explain our approach to risk management and the framework that we will operate to ensure that risks are effectively managed.

Chief Executive
London Borough of Havering

Executive summary

Risk management will help identify and deal with the key risks facing the organisation in the pursuit of its objectives and the process outlined within this strategy should be used to identify and manage all key risks to the Council's ability to deliver its priorities. It covers strategic priorities, operational activities and delivery of services, projects and partnership outcomes.

Section 1 – Introduction

Introduction

The Council defines risk as:

"The effect of uncertainty on objectives, often described by an event or a change in circumstances" and Risk Management as: "Coordinated activities to direct and control an organisation with regard to risk"

The benefits of successful risk management include:

- Increased confidence – in achieving our priorities and desired outcomes.
- More efficient service delivery – fewer disruptions, efficient processes, improved controls.
- Improved financial performance and value for money – increased achievement of objectives, reduced impact and frequency of critical risks.
- Stronger corporate governance and compliance systems – robust corporate governance, fewer regulatory visits.

Purpose

This Risk Management strategy provides a comprehensive framework and process designed to support managers in ensuring that the Council is able to discharge its risk management responsibilities fully. The strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that we have in place to manage risk successfully. Detailed information on how to implement this strategy and tools to assist in this are provided in the Risk Management Toolkit at the end of this document. Whilst the Assurance Service provides risk management support to the council, their role is to facilitate and drive best practice, rather than own risk on behalf of the council.

Vision

Risk management should not be seen as a means of reducing all risk to the council. Indeed, in order to deliver our objectives, we must have an appetite for a certain amount of risk; only by taking risks can we work innovatively to achieve our aims. As a large and diverse organisation, it is recognised that our risk appetite will vary according to the activity undertaken and hence different appetites and tolerances for risk will apply. In this regard, the Council aims to be risk aware, but not overly risk averse, and to actively manage business risks to protect and grow the organisation.

Aims, objectives and outcome

To deliver its strategic aims, the organisation recognises that it will have to take and manage certain business risks. In making informed decisions we will consider, on an individual basis, all options and opportunities and their associated risks. We will respond to those risks appropriately and take the actions most likely to successfully deliver our vision whilst also providing an acceptable level of value for money.

Section 2 – Risk Management Process Overview

The Council's risk management process consists of a series of co-ordinated activities, applicable to all levels and activities of the Council.

Step	Activity
Establishing the context	Understanding of key outcomes and objectives for the organisation, directorate, service or project being assessed.
Risk Definition	The step where risks to the organisation are identified and described.
Initial Impact Assessment	Assessment of key controls and the prioritising of risks based on likelihood and impact.
Mitigation Plan	Deciding what to do about the risks and planning further actions to reduce the risk to an acceptable level where necessary.
Risk Latest Progress	Risks change and so need regular monitoring and reporting to appropriate stakeholders for decision making and governance purposes.

Further detail of the process and its use is contained within Appendix 1 of this document – Risk Management Toolkit.

Section 3 – Roles and Responsibilities for Risk Management

The responsibility for managing risk extends throughout the organisation. It is important that all of us are aware of our roles. The following summarises the various roles and responsibilities.

Role	Responsibilities
Executive Leadership Team	• Demonstrate leadership of the risk management process. • Ensure the Strategic Risk Register is a live and up to date record of the Council's risk exposure and regularly discussed within management team meetings • Set and communicate the organisation's risk appetite • Make informed decisions about treatment of significant risks • Provide assurance to Members that appropriate risk management processes are in place across the Council
Section 151 Officer	• Champion risk management amongst the Executive Leadership Team ensuring that risk management features as a key management discipline across the organisation. • Overall accountability for the effectively delivery of the risk management framework
Governance and Assurance Board	• Consider and challenge the Council's management of risk • Provide assurance that a strong control framework and good governance arrangements are in place
Any relevant Strategic Programme Board	• Ensure risk is appropriately considered within business cases and procurement reports submitted • Ensure risks are appropriately monitored throughout the lifecycle of projects, programs and procurement checkpoint governance process. • Escalate significant risks to the Governance and Assurance Board.
Theme Steering Groups / Directorate Management Teams	• Ensure the directorate risk register is a live and up to date record of the directorate's risk exposure and regularly discussed within management team meetings. • Understand where a directorate risk has a corporate or strategic impact and escalate accordingly • Appoint a risk champion to drive forward the risk management framework with their department.
Service Managers	• Contribute to the Directorate risk management process through identification and management of risks associated with service area • Ensure relevant staff have appropriate understanding of risk management

Audit Committee	• Scrutinises and monitors the effectiveness of risk management arrangements • Obtain assurance on the effectiveness of risk and internal control arrangements • Reviews the Strategic Risk Register on a regular basis
Risk Owners	• Understand their accountability for individual risks and the controls in place to manage those risks • Understand that risk management and risk awareness are a key part of the Council's culture • Report promptly and systematically to senior management any perceived risks or failures of existing control measures
Risk Champions / Administrators	• Responsible for supporting their own directorate or service area with developing, reviewing and reporting risks • Ensuring the risk registers for their area are updated on the risk management system
Assurance Service – Risk Management	• Developing and maintaining the risk management strategy and framework • Submit the risk management strategy to Audit Committee for approval at least yearly • Support the Executive and Directorate leadership teams in the identification and evaluation of risks at Executive and Directorate level. • Arrange for training to be provided to all those who have responsibility for managing risk within the Council.
Assurance Service – Internal Audit	• Deliver a risk-based audit plan in accordance with the Public Sector Internal Audit Standards (PSIAS).
Other partners / shared services / alternative delivery units	• Where required, typically established through a memorandum of understanding or equivalent, adopt a risk management strategy. Requirements are assessed on a case by case basis.

Information Asset Risk Management Roles and Responsibilities

Information Asset Owners (IAOs)	Is usually Director level and accountable for the Risk, acting as Risk Owner. • Accountable for establishing and maintaining arrangements to ensure information risk is managed for Council Information Assets in their business areas, as well as risk arising with delivery partners and with third party suppliers. • Accountable for the management of Information Assets in line with legislation and policy. • Maintain strategic oversight. • Ensure that the role and responsibilities of the IAM remain active throughout staff turnover movement within the organisation.

Information Asset Managers (IAMs)	Is usually Asst. Director/Head of Service level – has operational responsibility for managing information risks. • Senior/responsible individuals involved in running the relevant business. • Understand what information is held, what is added and what is removed, how information is moved, and who has access and why. • Understand and address risks to the information.
System Administrator (SysAm)	Practical technical management of system assets to support risk management plan. • Take the lead in managing the 'system asset' • Implementing technical controls and measures to support overall information risk management. • Advises IAM in relation to required technical controls / measures. • Providing system asset updates to IAM. • May be directed by IAM in a risk-based approach.
Information Asset Administrator (IAA)	Supports day-to-day operational activities required for the management and protection of specific information assets. This role may crossover with the Risk Champion/Administrator and be assigned to the same person. • Practical support to IAM / SysAm to implement controls and measures to manage risks. • Administrative tasks relating to overall risk management and reporting. • Administrative updates to risk management assessment system.

Application Risk Management

The Application Risk Management (ARM) project identifies risks that relate to a 'System Assets' or 'IT/Data Systems' in the council. (Risks may affect multiple Directorates where the same application is used to deliver services) These risks are identified by holding interviews with Service Areas, OneSource and Vendor and performing a subjective assessment. The project will hand over the risks to IAM and provide a mitigation action plan to be added on the Risk Management system recommending how risks should be addressed.

Appendix 1 –Risk Management Toolkit

The Risk Management Process outlined within this Toolkit should be used as a guide to best practice in managing risks which could impact strategic priorities, operational activities (e.g. delivery of actions identified in directorate or service plans) and delivery of projects or programmes.

Risk management activity will happen at different levels within the organisation and for different purposes. You are identifying the risks that may affect the delivery of these objectives. A risk is where there is uncertainty of the outcome which may have a positive or negative effect on the achievement of the desired outcome, e.g. the objective.

The Council's risk management process consists of five steps:

A step-by-step guide follows to enable you to understand the risk management process.

1. Establishing the context

The starting point for risk management is to ensure that there is a clear understanding and agreement on the objectives for the subject on which the risk assessment is being undertaken (i.e. the organisation and the overarching strategic objectives, a particular service and local objectives, etc.). In this regard, risks are managed across the following levels within the organisation:

Service Level: the risks arising from service operations.

Programme / Project Level: the risks from initial business case stage throughout the project lifecycle.

Directorate Level: the risks which could impact upon the delivery of the annual service plan for a directorate.

Leadership / Strategic Level: the key risks facing the authority and the achievement of its corporate objectives.

2. Risk Definition

Risks should be identified that may affect the Council's ability to achieve its business objectives, execute its strategies successfully or limit its ability to exploit opportunities.

Risks can be identified through a number of methods, including:

- A 'brainstorming' session or workshop with the whole management team and relevant stakeholders
- Interviews or questionnaires with key stakeholders
- Meetings with smaller groups of people

There are a wide range of methods available that can be used to identify and understand risks. The method that you select will depend upon the type of risk(s) that you are dealing with but typically a management team workshop is the method most commonly used.

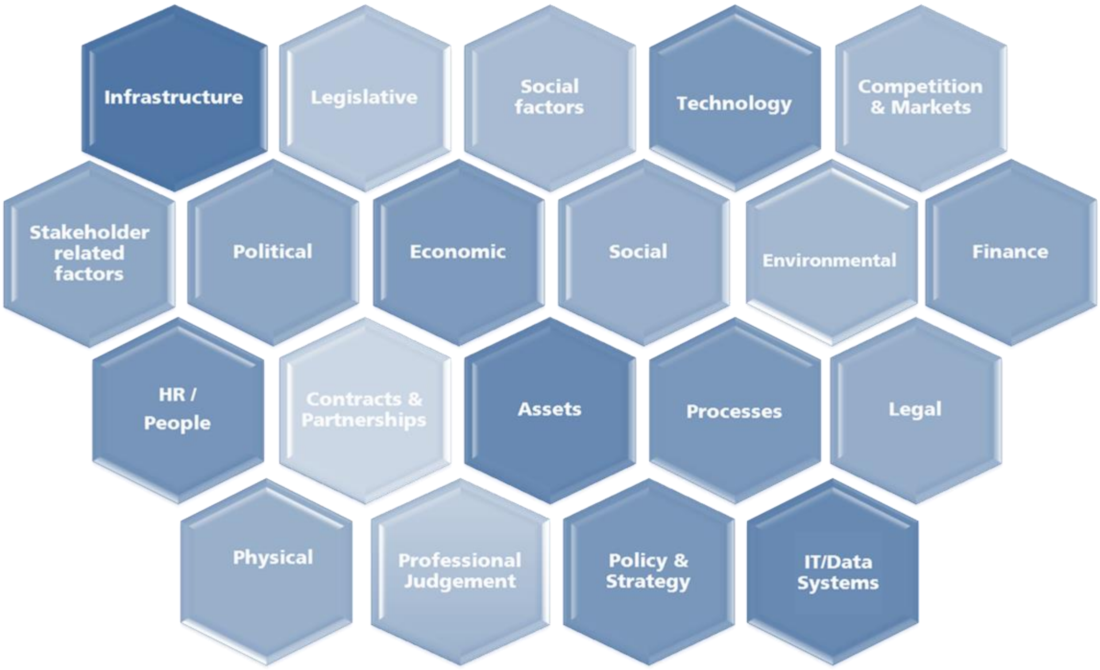
Additionally, existing sources of information could help inform this stage. Some examples are listed below:

- Service / corporate plans, strategies and objectives
- Existing risk registers
- Risks or issues raised by internal audit or any other external scrutiny body
- Risks identified through budget setting processes
- Health & safety risk assessments
- Business continuity risk assessments
- Partnership, programme or project documentation (e.g. business case or project risk register)
- Experience of those participating in the risk identification process

It is the responsibility of those identifying risks to decide which sources of information they should consult. This may be one or more of the sources listed above or it could be something else you think is appropriate.

It is crucial for risks to be defined properly at this stage. Failure to do so can result in confusion about the exact nature of the risk, ineffective risk controls being implemented, or the risk analysis being over or underestimated.

As well as direct risks to the achievement of our objectives it is important to think as broadly as possible about uncertainties that may have an impact on the organisation. The diagram shown below illustrates a variety of different risk themes, expanding on PESTLE prompts, which the organisation could face. Think also in terms of these themes when identifying risks.



Once identified, the risks need to be described in sufficient detail and recorded in a consistent format to support effective decision making on the way that the risk is managed.

The description of the risk should include the following elements:

- Risk Title – a short and concise header for the risk
- Description – expanding on the risk title outlining the situation or event that exposes us to a risk.
- Risk Cause – also known as the trigger event. Situations or factors which result in the risk becoming a reality.
- Risk Effect - the likely consequences if the risk materialises (The negative impact, How big? How bad? How much? - consider worst likely scenario)

When describing a risk try not to describe the impact of the risk as the risk itself or define risks with statement which are simply the converse of the objectives.

3. Initial Impact Assessment

Once risks have been identified the risk matrix is the main tool for prioritising each risk so we can establish which risks are most significant and therefore are in need of greater attention, effort and resources. It also allows us to compare different types of risk with each other across the council.

Each risk should be analysed for the likelihood it will happen and the impact if it did happen. This assessment should be made after considering controls that are already in place and working effectively – this is referred to the 'current risk'. It is the risk owner's responsibility to ensure the controls they believe are reducing the risk are effective and are working in practice. Controls that are not yet in place should not be considered at this stage, no matter how soon they will be implemented.

The impact should be considered against the relevant objectives - corporate risks should be scored against the organisation's objectives; departmental risks scored against departmental objectives; project risks scored against the objectives of the project and so on.

Each identified risk should be plotted onto the risk matrix once the likelihood and impact score has been agreed among the relevant management team.

Impact						
	Very High (5)	**5**	**10**	**15**	**20**	**25**
	High (4)	**4**	**8**	**12**	**16**	**20**
	Moderate (3)	**3**	**6**	**9**	**12**	**15**
	Low (2)	**2**	**4**	**6**	**8**	**10**
	Very Low (1)	**1**	**2**	**3**	**4**	**5**
		Very Low (1)	**Low (2)**	**Medium (3)**	**High (4)**	**Very High (5)**
				Likelihood		

Havering uses a 5 x 5 matrix to plot Likelihood and Impact. The green shaded area on the matrix shows the risks where there is good control and the Council should be comfortable with the risk. Risks in the amber and red zones are those over which closer control is needed.

When considering the likelihood of a risk happening you should select the number from 1 to 5 from the risk matrix that you think it will be over the next 12 months (it can be longer or shorter; some risks in the Strategic Risk Register are better considered over 3 to 5 years, some operational risks will be considered over 3 to 6 months). This score will require an element of judgement when considering how likely an event is to occur and you should consider the following:

- Has this event happened before in the Council? (How frequently?) Has this event happened elsewhere? (How frequently?)
- How likely is it that one or more of the causes/ triggers of the event will occur?
- Has anything happened recently that makes the event more or less likely to occur?

The following table provides some support in quantifying the risk in terms of likelihood and impact:

Risk Likelihood Key				
Score – 1 **Very Low**	**Score – 2** **Low**	**Score – 3** **Medium**	**Score - 4** **High**	**Score – 5** **Very High**
Previous experience at this & other similar organisations makes this outcome highly unlikely to occur 0-20% chance of occurrence	Previous experience discounts this risk as being unlikely to occur, but other organisations have experienced problems 20-40% chance of occurrence	The Council has experienced problems in this area in the past but not in the past three years 40-60% chance of occurrence	The Council has experienced problems in this area in the last three years. 60-80% chance of occurrence	The council is currently experiencing problems in this area and/or expects to within the next 12 months. 80%+ chance of occurrence

When you select the impact, you should give consideration to the factors outlined in the risk matrix. For example, if the risk you are scoring has a low financial impact but a high impact on our reputation then you would select the most appropriate number between 1 and 5 that relates to the level of reputational impact. Once again, this score will have an element of judgement.

The criteria for risk impact levels can be found on the next page.

Risk Impact Key					
Risk Impact	**Very Low**	**Low**	**Moderate**	**High**	**Very High**
Financial	Small financial loss less than £25,000.	Financial loss between £25,000 and £100,000.	Financial loss between £100,000 and £250,000.	Sizeable financial loss between £250,000 and £500,000.	Substantial failure in accountability or integrity. Large financial loss over £500,000.
Service Impact	Brief disruption of important service area with a small impact on customer service	Moderate disruption to service delivery or altern0ative delivery models for up one week.	Substantial impact to service delivery or alternative delivery models for up to one month	Sustained loss of service delivery or alternative delivery model beyond one month	Complete breakdown in service delivery with severe prolonged impact on customer service affecting the whole organisation. Failure of strategic partnerships or significant alternative delivery model
Staff	No impact on staff turnover, limited impact on staff morale	Slight impact to staff morale, limited impact in staff turnover	Damage to staff morale, minor increase in staff turnover	Staff dissatisfaction, increase in staff turnover	Major staff dissatisfaction, short term strike action, staff turnover including key personnel
Reputation	Little or no adverse local public opinion or media attention	Limited and short term adverse local public opinion	Short term adverse publicity with detrimental impact on local public opinion	National adverse publicity in professional / municipal press. Adverse local publicity of a major and persistent nature. Noticeable impact on local public opinion	Intense political scrutiny and substantial adverse and persistent national media coverage.

Risk Impact	Very Low	Low	Moderate	High	Very High
Health & Safety	No health and safety implications	Minor injury, short term, sickness less than 3 days.	Minor injury, short term, sickness more than 3 days	Serious injury or extensive minor injury, semi-permanent, sickness more than 10 days	Life threatening or multiple serious injuries. Prolonged workplace stress
Legal & Statutory Compliance	Scrutiny required by internal committees or internal audit.	Internal review	Internal review with potential for involvement of external agencies	Scrutiny required by external agencies e.g. Ofsted. Possible criminal or civil action against council, members or officers. Potential penalties / fines between £50,000 and £500,000	Possible criminal or high-profile civil action against council, members or officers. Potential penalties / fines in excess of £500,000
Project Delivery & Deadlines	Negligible delays (less than 2 weeks) or minimal impact on the costs or quality of the project	Minor delays, c. 5% impact on cost and marginal change to project specification.	Delays, c. 15% impact on cost and notable change to project specification.	Significant impact on project or most of the expected benefits fail. Significant delays (2-3 months), increased costs and potential for reduced quality of project deliverable.	Complete failure of project. Extreme delays (3 months or more). Project benefits not realised, punitive costs that require financial re-planning and service cuts elsewhere or result in project no longer being sustainable.

4. Mitigation Plan

Once risks have been identified and scored based on current controls the next step is to decide what action should be taken to manage or treat them.

Generally speaking, there are four approaches to treating risk and the Council will refer to these as: Reduce, Accept, Prevent / Contingency or Transfer:

Action	Description	Options
Reduce	Controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur	Reducing the likelihood of the risk occurring AND / OR Mitigating the impact if the risk does occur
Accept	Acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.	The ability to take effective action against some risks may be limited or the cost of taking action may be disproportionate to the potential benefits gained in which case the risk is accepted on an "informed" basis.
Prevent / Contingency	Not undertaking the activity that is likely to trigger the risk	Changing the direction or strategy and revisiting objectives or improving channels of communication Obtaining further information from external sources or acquiring expertise Reducing the scope of the activity or adopting a familiar, proven approach Deciding not to undertake the activity likely to trigger the risk
Transfer	Handing the risk on elsewhere, either totally or in part – e.g. through insurance.	Financial instruments such as insurance, performance bonds, warranties or guarantee. Renegotiation of contract conditions for the risk to be retained by the other party. Seeking agreement on sharing the risk with the other party. Sub-contracting risk to a consultant or external suppliers. NB. It may not be possible to transfer all aspects of a risk. For example, where there is or reputational damage to the organisation.

When considering further action required to manage the risk, and indeed the appropriateness of existing controls, an assessment of each treatment option should be made alongside a consideration of the Council's risk appetite and tolerance for the current level of risk.

A further consideration is the efficiency of risk treatment in relation to the cost effectiveness of the proposed actions to be taken. Firstly, the cost of implementation has to be considered (time, manpower, budget, etc). The impact expected if no action is taken, should be weighed against the cost of action and the reduction of the impact. There should be a direct benefit from the cost implementation in terms of the reduction of the level of the risk.

Action plans should be put in place where there is a need to reduce the current assessment of risk to an acceptable level within an agreed and acceptable timeframe, this is known as the 'target risk'. Where these actions are significant, they will need resourcing and may need to be incorporated into the Council's annual budget, business planning and performance monitoring processes.

5. Risk Latest Progress

Strategic risks are generally long-term in nature and are managed through the Council's Strategic Risk Register.

Risks are also managed at a directorate, service, project, programme and partnership level. Respective management teams are responsible for ensuring that their risks are identified and managed appropriately.

Each risk register contains:

- The risk description, causes and consequences
- An identified risk owner
- Controls in place to mitigate the risk
- Risk scores based on likelihood and impact
- The level of risk the Council will accept to achieve the objective (target risk)
- An action plan to bring the level of risk to its acceptable level.

Required risk action planning should be proportionate to the significance of the risk.

Risk should be regularly considered and reported on alongside financial and performance information consistent with the Council's performance management framework.

Annually, the Audit Committee will receive a report on the Council's Risk Management arrangements together with the Strategic Risk Register.

A thorough review of each risk register should occur annually as part of the annual business planning processes and departmental risk registers should be reported to the Executive Leadership Team thereafter.

The Governance and Assurance Board is responsible for undertaking an annual review of the risk management framework.

The Risk Management System used by the Council to document, review and update our risks within a series of Risk Registers is JCAD V5. This is a cloud based system accessed using the following link: JCADCORE.com

If you have a role that requires access to the risk register please use the contact details on below to request login details and appropriate training.

Further advice and assistance on risk management is available from the Assurance Service.
Email: Internalauditoffice@havering.gov.uk
Phone: 01708 432610

LB Havering Strategic Risk Register

LB Havering Strategic Risk Register 11-July-2024

Profile Totals	0	0	0	7	0	Total 7
Changes				4 1		6 9

Total Risks including Unassigned **10**

0	0	0	0	0
0	0	0	2	1
0	1	3	2	0
0	0	0	1	0
0	0	0	0	0

Risk Register - LB Havering Strategic Risk Register

Profile Totals	0	0	0	7	0	Total 7
Changes				4 1		6 9

Total Risks including Unassigned **10**

0	0	0	0	0
0	0	0	2	1
0	1	3	2	0
0	0	0	1	0
0	0	0	0	0

Risk Title	Risk Ref	Assigned To	Control Progress	Last Review date	Next Review Date
Financial Resilience - Inability to deliver a balanced budget	HAV0005	Strategic Director Resources		01/07/2024	01/09/2024

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
The Council is unable to deliver a balanced budget as a result of: • Inadequate Government Funding • Rising Demographic pressures and/or increased complexity of Social Care • Rapidly increasing inflation • Cost of Living Crisis • Delay or non-achievement of planned MTFS savings • Inability to forecast due to uncertainty over medium term Government Funding • Uncertainty regarding timing of future Government funding reforms including introduction of the care cap (currently no sooner than October 2025), whilst being required by government to move towards the median cost of care. • Difficulty in identification of further efficiencies and savings following a decade of Austerity and increased demand following the COVID pandemic • Government changes in policy e.g. changes to Home Office refugee dispersal		• The MTFS is updated on a regular basis to define the potential budget gap for the following year.	Ongoing		12	High 20 Very High High	16 4
		• Lobby the Government at every available opportunity	In Progress		0		
		• The Council recognises the need to continue to develop savings proposals in order to help balance the budget.	In Progress		0		
		• The Council continues to review its structure	In Progress		95		
		• The Council reviews and reprofiles the Capital programme on a quarterly basis through the year.	In Progress		80		
		• The Council has developed action plans to mitigate and reduce the in-year overspend	Ongoing		0		

Review Comments Mitigations reviewed and updated with Head of Finance 01/07/24
01/07/2024

Risk Title	Risk Ref	Assigned To	Control Progress	Last Review date	Next Review Date
Potential harm to people we owe a duty of care	HAV0006	Strategic Director People	|	02/07/2024	02/10/2024

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
Social care fails in its duty of care, particularly to the vulnerable in society (as a result of workforce challenges - recruitment and retention of experienced and qualified staff - increased hospital attendances / more complex case work etc.) resulting in avoidable harm to a vulnerable adult or child. • Adult social care and Council fails in its duty of care, particularly to the vulnerable in society, and a service user is harmed or dies as a result of those failures. This includes illegal deprivation of liberty of users of services, where the appropriate Deprivation of Liberty Safeguard is not in place. • Children's Social Care fails in its duty of care to children and a child is harmed or dies as a result of those failures. • Cost of living crisis leading to increased risks of homelessness, domestic violence and crime - Instability of the social care market due to problems with financial sustainability, workforce capacity and recruitment means that the Council are unable to commission care and support services for vulnerable residents. - Capacity issues within the provider market sector (linked to recruitment and retention) could lead to an inability to meet demand for services. - Cost of care in residential homes is incompatible with the Council's rate leading to an unstable market and residential care home refusing to take clients.		• Quality process in place including contract monitoring for framework and residential providers	In Progress		8	High 16 High High	12 4
		• A Quality Assurance Framework provides a risk based approach to the care market	In Progress		0		
		• Transparent and robust Guidance for Suspension of Placements with adults providers	In Progress		0		
		• Strong links with CQC with early notification of problems with providers	In Progress		0		
		• Robust Adults Establishment Concerns & Failure Procedure and Guidance	In Progress		0		
		• Sharing of information and intelligence with other Local Authorities at the Local Adults Quality and Safeguarding Group (monthly	In Progress		0		
		• Appropriate and effective safeguarding processes and arrangements in place for children and adults	In Progress		0		
		• Training in Multi Agency Safeguarding Hub	In Progress		0		
		• Regular Safeguarding and Oversight meeting chaired by AD Adult Safeguarding and AD Children's services	In Progress		0		
		• Safeguarding Policies and Guidance are reviewed and updated	In Progress		0		

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		• Staff are appropriately supervised to be able to carry out their roles to a high standard	In Progress		0	
		• Safeguarding Adults Board (SAB) and Local Safeguarding Partnerships (for Children) in place	In Progress		0	
		• Robust process to escalate cases to MARAC ensuring partnership approach	In Progress		0	
		• Safeguarding Adult Team attend Team Meetings to provide relevant updates around key topics such as MCA or DV	In Progress		0	
		• Residential and nursing home safeguarding training	In Progress		0	
		• Adults and Children's Social Care (ASC) - Resilience business case to address staffing pressures	In Progress		0	
		• Broad range of targeted training available to social care staff and managers to ensure all are properly equipped.	In Progress		0	
		• Regular Review of Safeguarding caseloads across teams	In Progress		0	
		• Monitoring of demand via referrals to Multi-Agency Safeguarding Hub (MASH)	In Progress		0	
		• Recruitment processes underway for Social workers in Havering	In Progress		0	
		• Monitoring and continuation of early help and intervention work where possible, in line with model of practice	In Progress		0	
		• Council’s cost of living response to mitigate financial pressures on residents	In Progress		0	

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
		• Children’s Services benchmarking through the London Innovation and Improvement Alliance performance dataset	In Progress		0		
		• Robust Quality Assurance Framework and learning through Rapid reviews and learning dissemination in Children’s Services.	In Progress		0		
		• Involvement in the LIIA Recruitment microsite and London Pledge work	In Progress		0		

Review Comments Review of mitigations and current risk rating with AD Insight, Policy & Strategy
02/07/2024

Risk Title	Risk Ref	Assigned To	Control Progress	Last Review date	Next Review Date
External Inspection Requirements - conditions attached to the Capitalisation Direction inc. an external assurance arrangement to review the effectiveness of our Financial Management arrangements, extending to a review of our governance and decision making processes. Terms remain to be defined by DLUHC. Additional inspection and reporting requirements following on from 2024 Ofsted review. Or any other external review. The Council's in-year savings targets may impact on delivery of priorities if not achieved.	HAV0023	Chief Executive		01/07/2024	01/10/2024

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
Increased, high priority, inspection regimes as a result of the Capitalisation order.		• Ofsted Inspection - Improvement Plan - submitted to DfE and to Full Council in July 2024	Ongoing		6	High 16 High	New
		• Peer Reviews carried out or CQC and Housing Inspectorate	In Progress		70	High	
		• Implementation of the DLUHC productivity, improvement and transformation plans	In Progress		0		

Review Comments Review completed and mitigations added 01/07/2024
01/07/2024

Risk Title	Risk Ref	Assigned To	Control Progress	Last Review date	Next Review Date
Significant operational disruption to the Council's critical services. Operational disruption caused by loss of or impairment to key resources supporting the Council's critical services. This may include, but is not limited to, a major system failure, cyber security breach, 3rd party supplier failure (including utility services), reduction in number of available staff, change in regulatory	HAV0002	Strategic Director Resources		20/06/2024	20/08/2024

requirements.

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
- Reduced capability of preventing or responding effectively to incidents due to a lack of forward planning or investment. - Unavailability of IT and/or Telecoms - Breach of Cyber Security defenses - Impact to 3rd Party supplier's ability to provide required service(s) - Increase in staff turnover rates or inability to replace key leavers - Incidents impacting availability of key staff (e.g. illness, transport system disruption) - Regulatory change affecting the Council, 3rd Party service providers, direct supply contracts	Significant or prolonged operational disruption to the Council's critical services. Reputational damage Failure to meet statutory or regulatory requirements Impact to vulnerable residents leading to harm or distress Financial penalties or additional emergency cost of service provision Inability to effectively process payments or transactions In the event of a Business Continuity disruption, the council may be unable to maintain delivery of essential operations and business activities. Due to inadequate contingency planning, the impact of the incident may be magnified and result in a more significant effect on individuals and council services.	• Due diligence in advance of contract awards	In Progress		9	Medium 12 High Medium	6 6
		• Major Emergency Plan in place within organisation to mitigate the initial impacts of these types of events	In Progress		0		
		• Corporate Business Continuity Plan and individual service area Business Continuity plans held and updated by services.	Implemented		100		
		• Corporate Business Continuity Plan outlines critical service for initial priorities with included service time scales.	In Progress		0		
		• Individual incident plans for specific scenario for example, Multi-agency flood plan, Excess Deaths Plan, Severe Weather	In Progress		0		
		• Regular updates of plans and testing and exercising associated risks.	In Progress		0		
		• CRR linked to the London Risk register on relating risks, for example R72, R73 and R103 for societal associated risks	In Progress		0		
		• Work with Care Providers Voice, workforce professionals and other partners	In Progress		0		
		• Regular review of market rates, in consultation with local providers and uplifts applied as appropriate	In Progress		0		
		• Monitoring of the Reablement Contract	In Progress		0		

		Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
		• BCP Transformation Project	In Progress		0		
		• Alignment of outages to scenarios	In Progress		0		
		• Disaster Recovery Capabilities Verification	In Progress		0		
		• Applications Audit	In Progress		0		

Review Comments The following items were updated on 20-06-24:
- Risk Title & Desc
- Causes
- Effects

Note: there may be a need to update the mitigations associated with this risk and/or to introduce additional strategic risks that may supersede or supplement this risk
20/06/2024

Risk Title	Risk Ref	Assigned To	Control Progress	Last Review date	Next Review Date
Failure to adapt to the potential impacts of climate change and meet Council's carbon neutral ambition for 2040	HAV0007	Strategic Director Resources		26/06/2024	06/01/2025

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Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
The causes of climate change are set out in the modelling of impacts of a warming planet. The Council response to these impacts has not been adequately addressed due to financial constraints.	Flash flooding – pluvial (rain): Localised, severe impacts, Road network impacted Fluvial flooding – (Main water Courses) Damage to property and infrastructure Increased storminess – Damage to the built environment and individuals Heatwaves: Increased risk of fires and damage to infrastructure, Reduction in summer water Climate forced immigration Risk of invasive species becoming more prevalent. Decrease in biodiversity in borough. Health of residents adversely impacted.	• Introduction of Havering Climate Change Action Plan 2021	Implemented		9 Medium	12 High	8 4 Medium
		• Inclusion in Business Continuty and Emergency Plans	Implemented		100		
		• Havering Climate Change Action Plan 2024-2027 - Endorsement at Cabinet	Implemented	30/04/2024	100		
		• Implementation of Havering Climate Change Action Plan 2024	In Progress	31/03/2025	25		

Review Comments Review completed 26/06/24 - mitigations updated and aligned with PowerBI dashboard. Projected risk score also amended.
26/06/2024

Risk Title	Risk Ref	Assigned To	Control Progress	Last Review date	Next Review Date

Technology: ICT Resilience and Legacy Systems - The Council's ability to deliver critical and key services in the event of ICT outages and be able to recover in the event of system and/or data loss.	HAV0020	Strategic Director Resources			13/06/2024	13/08/2024

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
Key potential causes are: - Poor Business Continuity (BCP) planning and understanding of key system architecture. - Untested Disaster Recovery (DR) arrangements including data recovery. - Untested network reconfiguration to alleviate key location outage. - Untested recovery schedules in terms of order and instructions. - Lack of resilience available for legacy systems (single points of failure - people and technology). - Services undertaking their own IT arrangements outside of the corporate approach - Poor data management can lead to delays in recovery timescales if retained data volumes are excessive, and critical and non-critical data are combined in back-ups - Impact of the ICT Shared Tenancy arrangements Sovereignty of service areas and a reluctance to change IT systems (or lack of investment budgets) can lead to systems being in place which are incompatible with modern IT controls, leading to sub-optimal workarounds being put into place to maintain operational running.		• Replacement IT backup solution procurement and implementation	In Progress		4	Medium 9 Moderate Medium	3 ⟺ 3
		• Vendor contracts - Contacts register created for all contracts managed by one source IT.	In Progress		75		
		• Review of Disaster Recovery capabilities	In Progress		50		
		• Disaster recovery testing	In Progress		25		
		• Backup systems for client case recording systems – Liquid Logic LAS, LCS and EHM	In Progress		0		
		• Applications Audit	In Progress		70		
		• Digital Strategy	In Progress		20		
		• Application Rationalisation	In Progress		10		

Review Comments A cloud migration project, including backup and recovery solutions, is currently underway and due to be complete by the end of 2024. The Microsoft Azure cloud environment also provides a much higher level of redundancy and rapid recovery.
13/06/2024

Risk Title	Risk Ref	Assigned To	Control Progress	Last Review date	Next Review Date
Culture, governance, capacity and knowledge - NEW RISK	HAV0024	Strategic Director Resources			26/12/2024

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
Culture emerges as a root cause where things have gone wrong, whether through complacency or stress of significant workloads or other means. As a result, local authorities are increasingly having to examine and assess the concept of culture and if it supports their strategy and mandate. - Ineffective leadership - Poor behaviour - Poor scrutiny, transparency, whistle-blowing support - failures in contract management and governance leading to significant uplift in energy costs - the award of a contract and approval of significant costs to a senior individual at the authority - allegations of improper Member conduct to influence funding to third parties - allegations of undue pressure by Members outside of committee meetings to influence officer decision making - incidents of significant fraud committed by officers against the Council. - cultural and governance issues - failure to understand and manage the risks associated with external companies - failure to address and resolve relationship difficulties between senior officers and members - financial capability and capacity - audit committee effectiveness		• Governance and Compliance Culture as a rolling programme of work in the Internal Audit Plan 2024/25	Ongoing		4	Medium 9 Moderate Medium	New

Review Comments

Risk Title	Risk Ref	Assigned To	Control Progress	Last Review date	Next Review Date
Failure to deliver strategic corporate priorities set out in the Corporate Plan - The Council's in-year savings targets may impact on delivery of priorities if not achieved.	HAV0013	Chief Executive		01/07/2024	01/09/2024

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
The Budget pressures combined with unprecedented levels of demands (e.g. for children's and adult's services), may have an impact on the ability to deliver corporate priorities in line with resident's demands and perception.	Council priorities are not met leading to dissatisfaction from residents. There is a risk that a breakdown in the Council relationship with residents could lead to a lack of trust and engagement, poor communication, non delivery of objectives; and, failure to meet expectations. Risk that a loss of trust occurs if complaints and Member's Enquiries handled poorly or in an untimely manner.	• Engagement Strategy active and implemented	Implemented		9	Medium 9 Moderate Medium	12 -3
		• A full review of the 2023/24 agreed Corporate Plan was undertaken.	Implemented	10/04/2024	100		
		• Transparent communication to support revised Corporate Plan.	Implemented	01/07/2024	100		

		Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
		• Implement service planning to deliver Strategic Priorities	Implemented		100		
		• Implementation of the DLUHC productivity, improvement and transformation plans	In Progress		0		

Review Comments Reviewed and mitigations updated on 01/07/24
01/07/2024

Risk Title	Risk Ref	Assigned To	Control Progress	Last Review date	Next Review Date
Technology: Cyber Security (Technical Controls and Platforms), Information Security and Risk Management	HAV0004	Strategic Director Resources		13/06/2024	13/08/2024

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
The Council's risk level regarding Cybersecurity is higher than should be expected due to appropriate technical controls not being in place. Key potential causes are: - Lack of investment in appropriate technologies. - Reliance on in-house expertise, and self-assessments (PSN). - Ineffective Information Security Management System, inadequate resources to create and maintain an ISMS, management buy-in and support to operate an ISMS. Lack of formal approach to risk management (ISO27001).	There is a risk that if the council does not have an Information Security Management System then it will not be able to effectively manage Information Security risks.	• Cyber Security - Technical Controls & Platforms: Cyber Security Programme	Implemented		8	Medium 8 High Low	
		• Cyber Security – Technical Controls & Platforms: Network Refresh Programme	In Progress		50		
		• Cyber Security – Technical Controls & Platforms: Security Operations Centre Provision	Implemented		100		
		• Information Governance Board Oversight	Implemented		100		
		• Policy Review and Update	Implemented		100		
		• Training Provision	Implemented		100		
		• Capacity in Information Assurance Team	Implemented		100		
		• Review of Asset Registers and Owners	In Progress		70		

Review Comments Our trusted partner Stripe OLT provide our 24/7 Security Operations Centre (SOC) to ensure we have increased vigilance in place and earlier threat detection.
To mitigate the risk of Windows 2012 no longer being officially support by Microsoft, one source ICT have deployed the Azure Arc monitoring tool to all Windows 2012 servers to enable Extended Security Updates.
13/06/2024

Manager Maria Denton

Risk Title	Risk Ref	Assigned To	Control Progress	Last Review date	Next Review Date
Regeneration (Shaping the Future of the Borough) - impact of costs inflation, social change and economic downturn.	HAV0015	Strategic Director Place		05/06/2024	30/11/2024

Causes	Effects	Control Measures	Control Status	Target Date	Target Rating	Current Rating	Previous Current Rating
Circumstances that have arisen at other Councils have highlighted the importance of monitoring the sustainability of significant regeneration programmes. Quality of housing in the Borough - ensuring it is fit for the future. The current economic climate and outlook presents a challenge to financial viability. • Implications of the Building Safety Act. • Fire Safety regulation changes will impact on the viability / cost of schemes. • Demographic changes impacting on housing needs including changes in government policy	Inflationary rises mean that the cost of developments may not be sustainable / achievable.	• Regeneration schemes, capital budgets and forecasts are reported quarterly to Themed Board.	In Progress	01/04/2025	6	Medium 6 Low Medium	12 -6
		• Pipeline Schemes review at Regeneration Officer Board.	In Progress		0		
		• Annual Business Plan refresh reviews financial viability of JVs.	In Progress		0		
		• Project progress and risks reviewed at Prouder Steering Group using info recorded on Verto	In Progress		0		
		• Financial risks are included in each Regeneration Officer Board report for each scheme. ROB is chaired by the s151 Officer.	In Progress		0		
		• Covid focused mitigations	Implemented		100		
		• Project risks in Verto link in with Directorate Risk Register	In Progress		0		
		• Increased monitoring of economic conditions.	In Progress		0		
		• Greater focus on scheme viability at a project level.	In Progress		0		
		• Ensure adequacy of scheme contingency allowances.	In Progress		0		
		• Review of affordable housing products to maximise external grant/income opportunities.	In Progress		0		

		• Adjust delivery programmes, where appropriate, to respond to the market cycle.	In Progress		0		
		• Financial Risks are included in each Regeneration Officer Board reports (this occurs on a 6 weekly basis).	In Progress		0		
		• Review for a possible need to adjust the tenure mix (a possible mitigation to viability challenges).	In Progress		0		

Review Comments Business plan refresh activity is in progress, including professional reviews and advice as appropriate
05/06/2024

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Havering
LONDON BOROUGH

AUDIT COMMITTEE
25 JULY 2024

Subject Heading:	Head of Assurance Quarter 1 (01/04/2024 to 30/06/2024) Progress Report 2024/25
SLT Lead:	Kathy Freeman, Strategic Director Resources
Report Author and contact details:	Jeremy Welburn, Head of Assurance Tel: 01708 432610 / 07976539248 Email: jeremy.welburn@onesource.co.uk
Policy context:	To present a summary of the outcomes of Internal Audit and Counter Fraud work completed during Quarter 1 of 2024/25.
Financial summary:	There are no financial implications or risks arising directly from this report which is for information only.

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

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

SUMMARY

This report brings together all aspects of audit, assurance and counter fraud work undertaken in Quarter 1 of the 2024/25 financial year, including actions taken by management in response to audit and counter fraud activity, which supports the governance framework of the authority.

Limited assurance reports issued since the last Audit Committee are included in Appendix 1

RECOMMENDATIONS

1. To note the contents of the report.

2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

Introduction

The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) and other guidance.

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

- First line – operational management controls
- Second line – monitoring controls, e.g. the policy or system owner/sponsor
- Third line – independent assurance.

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

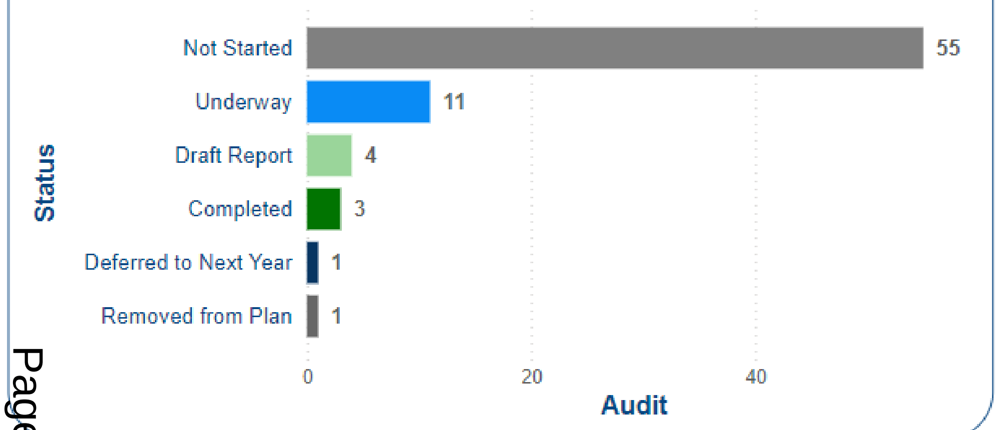
An independent internal audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Committee and senior management on the higher risk and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

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

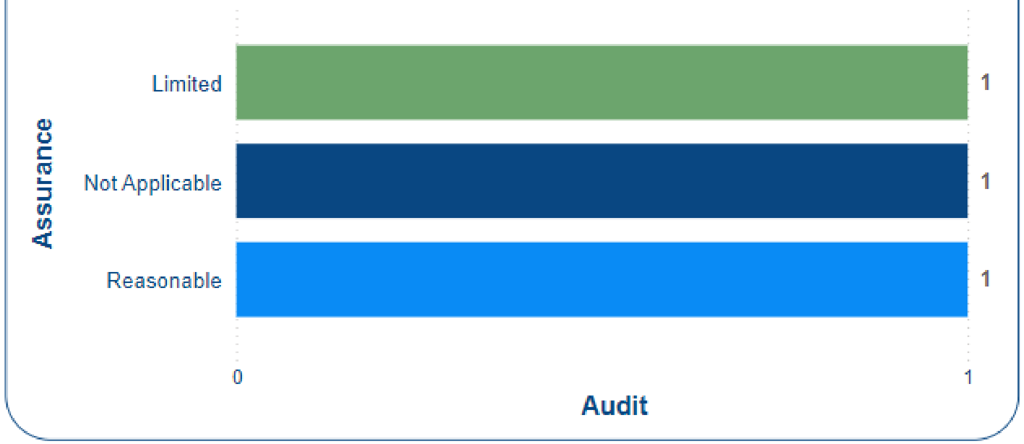
This report summarises the outcomes of audit and counter fraud work undertaken during Quarter 1 (01/04/2024 to 30/06/2024) of 2024/25 in support of the Audit Committee's role.

2024/25 Audit Plan Quarter 1 Outturn Report - Systems and Schools

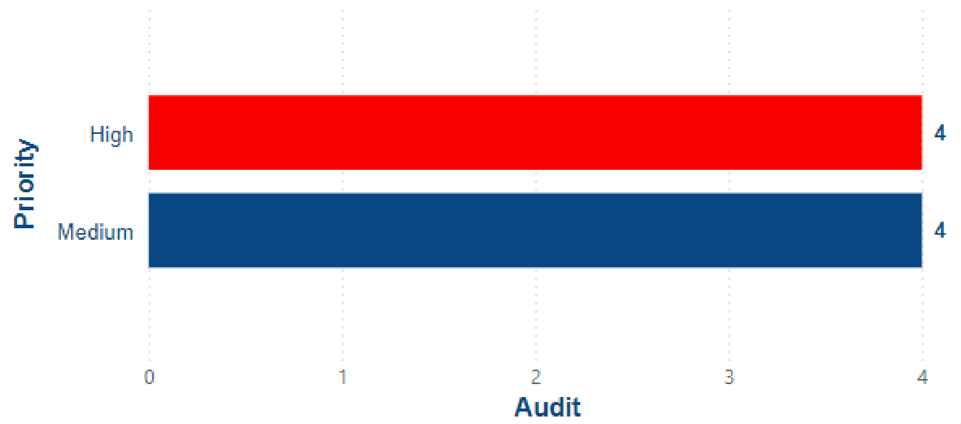
Audit by Status



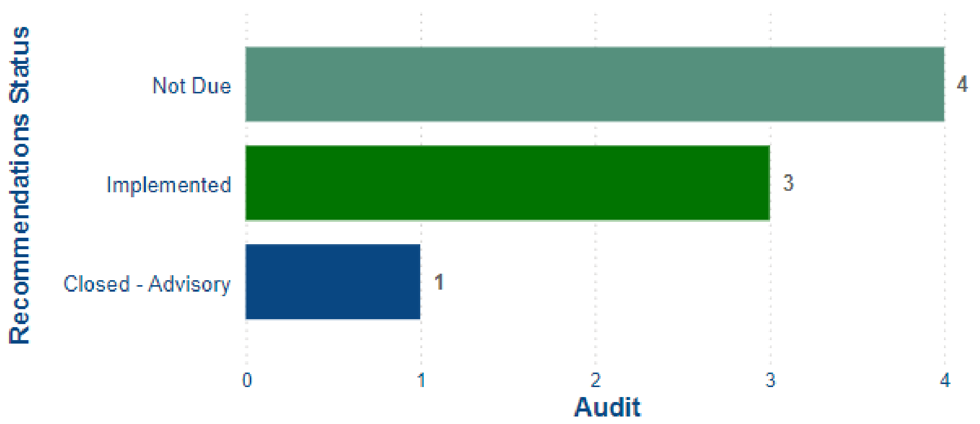
Audit by Assurance



Recommendations by Priority

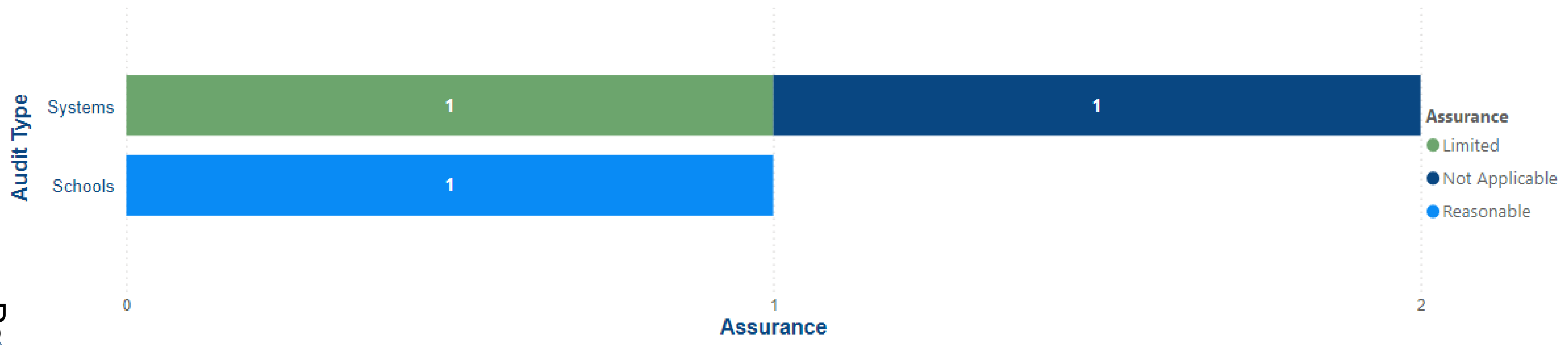


Audit by Recommendations Status

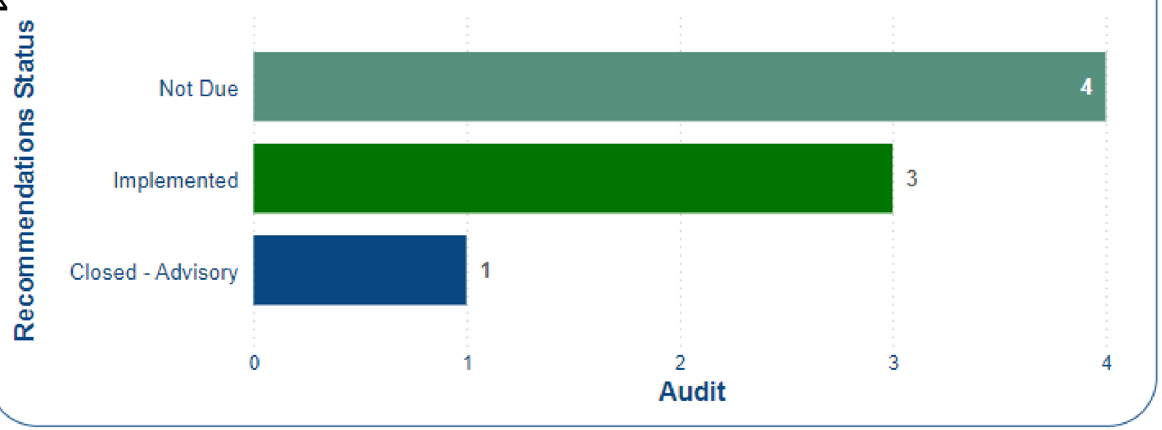


2024/25 Audit Plan Quarter 1 Outturn Report - Systems and Schools

Assurance by Audit Type



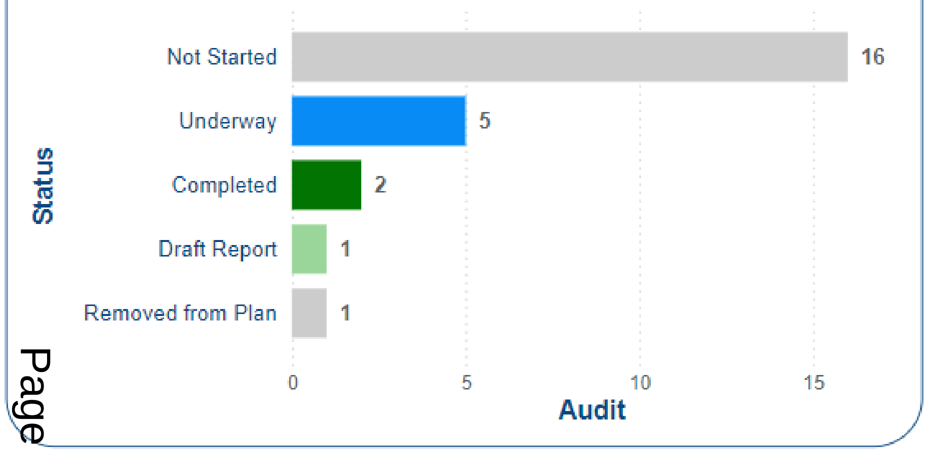
Audit by Recommendations Status



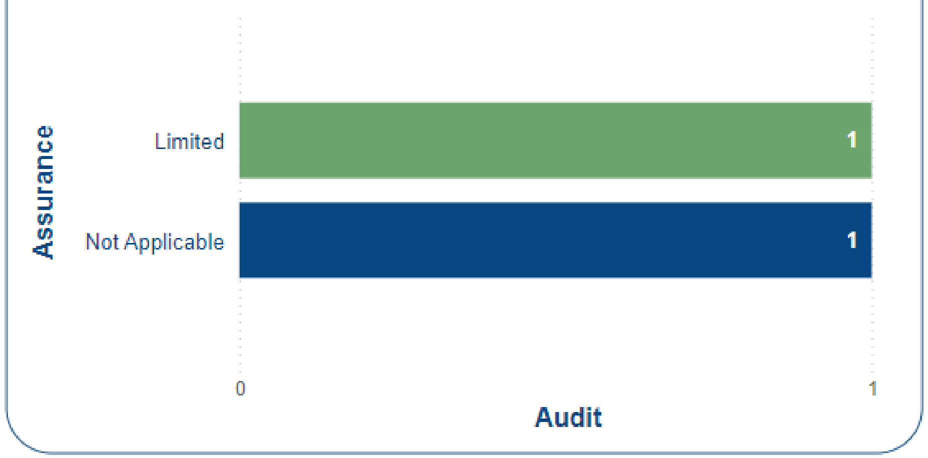
Type	Closed - Advisory	Implemented	Not Due	**Total**
Schools	1	3		**4**
Systems			4	**4**
Total	**1**	**3**	**4**	**8**

2024/2025 Audit Plan Monitoring - Systems

Audit by Status



Audit by Assurance

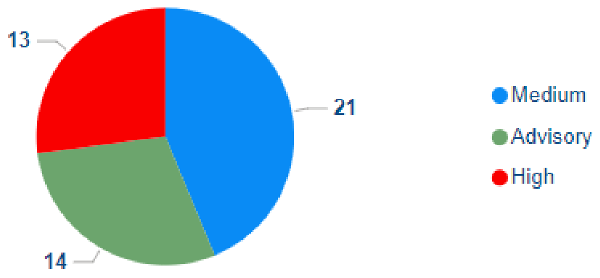


Title	Status	Reason
Engagement of Consultants via Matrix - Governance & Compliance Culture (Phase 1)	Completed	
Supported Families (Q1)	Completed	
Procurement Processes	Draft Report	
Children's: School and Early Years audit programme	Not Started	
Complaints	Not Started	
Contract Management - Waste	Not Started	
Contracts	Not Started	
Governance and Compliance Culture	Not Started	
High Income Areas	Not Started	
Highways	Not Started	
Joint Counter-Fraud Work	Not Started	
Risk and Assurance Mapping	Not Started	
Starting Well	Not Started	
Starting Well/ Aging Well	Not Started	
Supported Families	Not Started	
Supported Families (Q2)	Not Started	
Supported Families (Q3)	Not Started	
Supported Families (Q4)	Not Started	
Whistleblowing	Not Started	
Data Protection - legacy contracts	Removed from Plan	Consultant engaged in Children's to establish a control framework for this specific issue.
Council Tax (Empty Property Charges)	Underway	
Court of Protection: Deputyship and Appointeeships	Underway	
Financial Assessment and Benefits	Underway	
Tenant Management Organisations	Underway	
Voids (Tenant Rechargeable Repairs)	Underway	

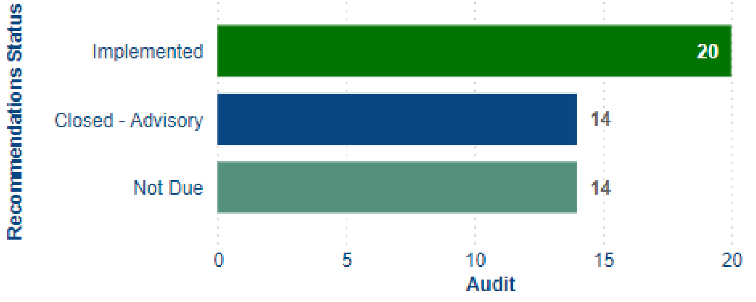
2023/2024 Audit Recommendations Update - Systems

Internal Audit follows up all audit recommendations with management when the deadlines for implementation are due. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations, in systems where limited assurance was provided, is verified through a follow up audit review. This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high risk recommendations.

Recommendations by Priority



Audit by Recommendations Status



Plan Year	Audit Title	Recommendation Priority	Recommendation Status
2023/24	Catering in Schools - Allergy Management	Advisory	Closed - Advisory
2023/24	Faster/ Duplicate Payments (22/23)	Advisory	Closed - Advisory
2023/24	Parking Income	Advisory	Closed - Advisory
2023/24	PSL Follow Up	Advisory	Closed - Advisory
2023/24	Responsive Repairs	Advisory	Closed - Advisory
2023/24	Waivers	Advisory	Closed - Advisory
2023/24	DPIA Compliance - CCTV (22/23)	High	Implemented
2023/24	Faster/ Duplicate Payments (22/23)	High	Implemented
2023/24	Faster/ Duplicate Payments (22/23)	High	Not Due
2023/24	IT Transition Procurement Support	High	Implemented
2023/24	IT Transition Procurement Support	High	Not Due
2023/24	Responsive Repairs	High	Implemented
2023/24	Waivers	High	Not Due
2023/24	Catering in Schools - Allergy Management	Medium	Implemented
2023/24	Faster/ Duplicate Payments (22/23)	Medium	Implemented
2023/24	Housing Compliance Follow Up (22/23)	Medium	Implemented
2023/24	Housing Compliance Follow Up (22/23)	Medium	Not Due
2023/24	PSL Follow Up	Medium	Implemented
2023/24	Purchase Orders and Accruals	Medium	Not Due
2023/24	Responsive Repairs	Medium	Implemented
2023/24	Waivers	Medium	Not Due

2023/2024 Recommendation Detail - Systems

Audit Title	Recommendation	Rec Priority	Rec Status	Due Date
Faster/ Duplicate Payments (22/23)	In addition to the faster payment form, guidance should be produced and made available to all staff, outlining when it is acceptable to request a Faster Payment. Guidance should also set out the standard / expected level of detail to be provided within the request form.	High	Not Due	01 September 2024
Housing Compliance Follow Up (22/23)	LBH should document key operational procedures for gas and electrical safety. These procedures should outline key processes, such as when letters should be sent to tenants for gas servicing, and how new build properties should be added to the gas register	Medium	Not Due	01 September 2024
IT Transition Procurement Support	The governance arrangements for awarding high value contracts through Matrix Managed Marketplace should be reviewed to ensure that all decisions made are in accordance with Council processes and financial regulations. Decisions should be appropriately evidenced and recorded.	High	Not Due	01 September 2024
Purchase Orders and Accruals	A data cleansing exercise should be undertaken to close down all historical purchase orders, where appropriate. As part of this exercise the council should consider seeking to understand the reasons behind the long standing orders and whether in any of these cases, officers have bypassed procedures and paid invoices by other methods. In the event that implementation of this recommendation is expected to be delivered via a self-service approach, additional support and guidance must be made available to officers in the event that there are difficulties in accessing purchase orders / or questions as to the most appropriate action to take.	Medium	Not Due	01 September 2024
Purchase Orders and Accruals	Action should be taken to determine whether the PO Listing Report is being utilised by any services in the performance of their duties to ensure that the issues highlighted in this report are not having implications elsewhere. Dependent on the outcome of this, a review of the PO Listing Report should be undertaken to ensure that officers have access to a report that is correctly configured and reporting accurate purchase order information.	Medium	Not Due	01 September 2024
Purchase Orders and Accruals	Central ownership of PO data should be determined to establish responsibility for monitoring, reporting and prompting services to take appropriate / necessary action. This can only be effectively actioned with accurate purchase order management information (See recommendation 1).	Medium	Not Due	01 September 2024
Purchase Orders and Accruals	Responsibility for periodically reviewing the accruals account should be determined, along with clear criteria as to what action will be taken and when. Officers should be suitably informed of the outcome of this decision, when action will be taken and any potential financial implications.	Medium	Not Due	01 September 2024

2023/2024 Recommendation Detail - Systems

Audit Title	Recommendation	Rec Priority	Rec Status	Due Date
Purchase Orders and Accruals	The end to end process of the purchase order life cycle should be mapped, to ensure all controls are working as expected and to ensure that there are no gaps in the control environment. The outcome of the mapping exercise should also be used to identify points of failure in the process and therefore determine where responsibility for taking remedial action sits.	Medium	Not Due	01 September 2024
Waivers	Guidance to officers should clearly outline that waiving the cost / quality weighting set out in the Constitution should be documented and approved via an Executive Decision, unlike all other waivers which should be completed on the waivers template available on the intranet. Additionally, the waiver form should clearly outline the above requirements and ask officers to confirm what supporting documentation is being submitted alongside the waiver, such as an Executive Decision.	Medium	Not Due	01 September 2024
Waivers	In the absence of up to date Contract Procedure Rules the current waivers process should be reviewed to ensure that it aligns with core governance requirements set out in both the CPRs and the Council's Constitution and that the process includes robust controls to ensure compliance. Once reviewed the process should be made readily available to officers across the Council.	High	Not Due	01 September 2024
Waivers	The current Contract Procedure Rules (CPR) should be reviewed and updated to reflect both local & legislative changes and to assimilate the current operational processes with the governance arrangements set out in the rules.	High	Not Due	01 September 2024
Waivers	The Executive Leadership Team should be clearly notified of the responsibility being assigned to them when approving waivers, including whether this includes responsibility for ensuring that the waiver is justified and compliant with the CPRs.	Medium	Not Due	01 September 2024
Waivers	The service should make changes to the Procurement Projects Register (PPR) to ensure that it provides a robust record of all waivers received, including consideration as to the value that populating the PPR with incomplete historical data will give. Additionally the service should consider whether the current method of labelling waivers to competition, differently to those related to cost / quality weighting provides a comprehensive record of waivers submitted.	Medium	Not Due	01 September 2024
Waivers	To ensure standards are being consistently applied it is advised that the Procurement Team are provided with training to ensure that all officers are aware of the process and understand, and can apply the controls. This should include clear communication of the teams role and responsibilities within the waivers process, such as responsibility for checking waivers are approved in line with the scheme of delegation and that any applicable supporting documents (such as EDs if applicable) have been submitted.	High	Not Due	01 September 2024

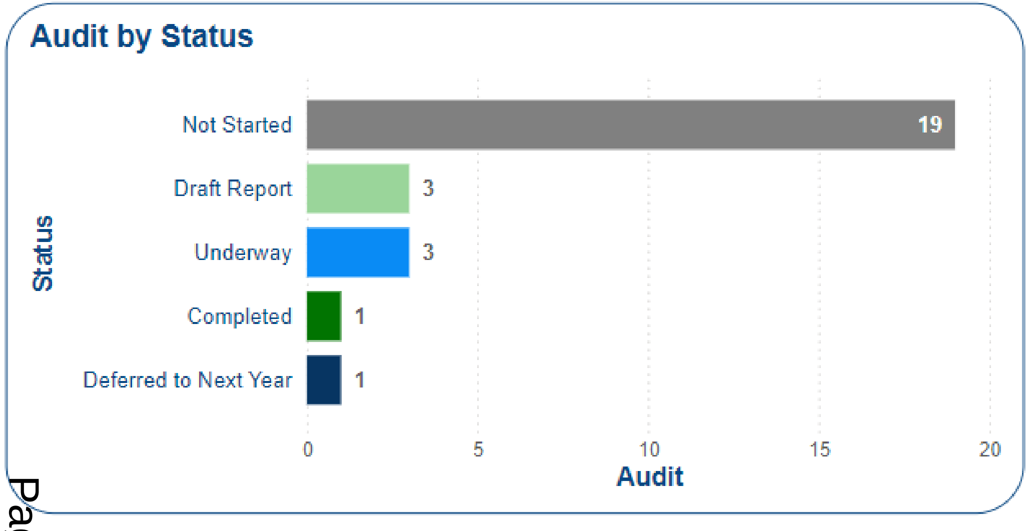
Introduction - Schools Programme

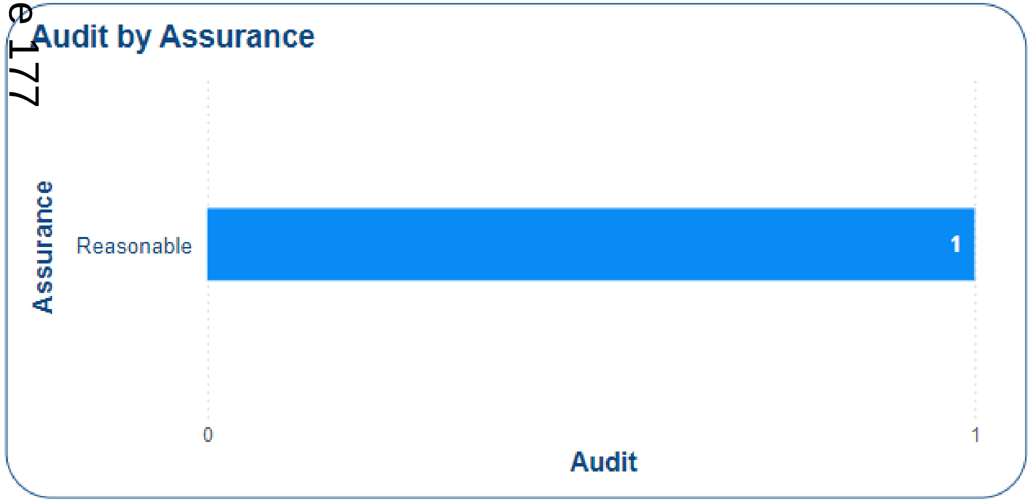
There are currently 40 borough maintained schools within Havering. Of these, 24 schools will have received a triennial audit between the financial years 2021/22 – 2023/24. The remaining 16 maintained schools were assessed on the assurance given at their last triennial audit and considered to be low risk; therefore, a triennial audit was not delivered as part of the three year rolling programme. Ten of these schools have received at least one health check since their last triennial visit, the remaining six schools are amongst the thirteen schools scheduled to be reviewed as part of the 2024/25 audit plan.

In addition to assessing the implementation of recommendations raised following the previous audit, the Health Check also reviews the perceived high risk areas, including those common themes outlined below.

Assurance opinions are given for each school report. Currently, the schools that were due to be audited in 2023/24 have received a Triennial audit, all of which were given Reasonable Assurance.

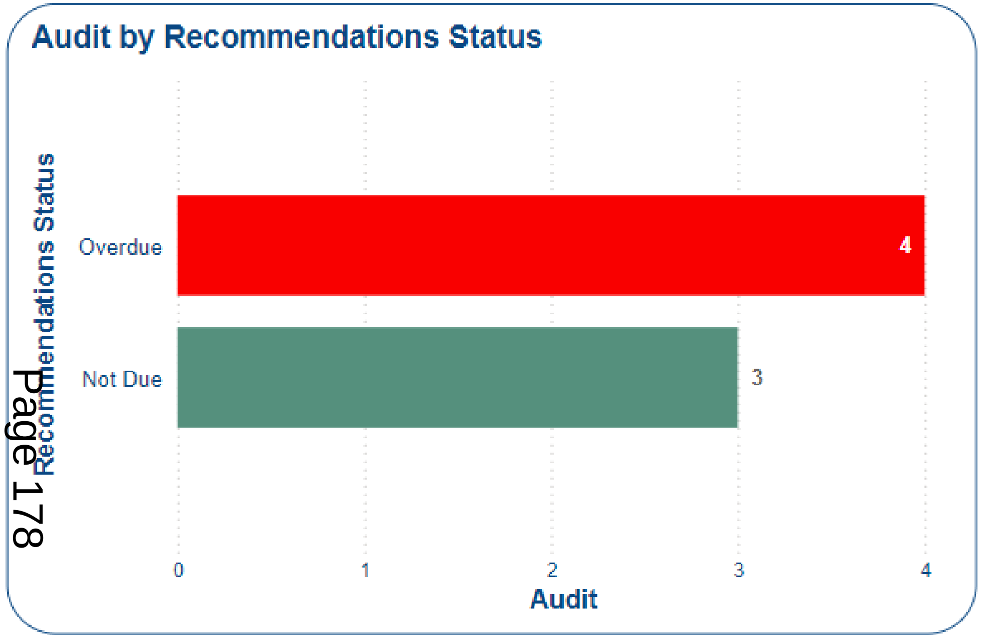
2024/2025 Audit Plan Monitoring - Schools

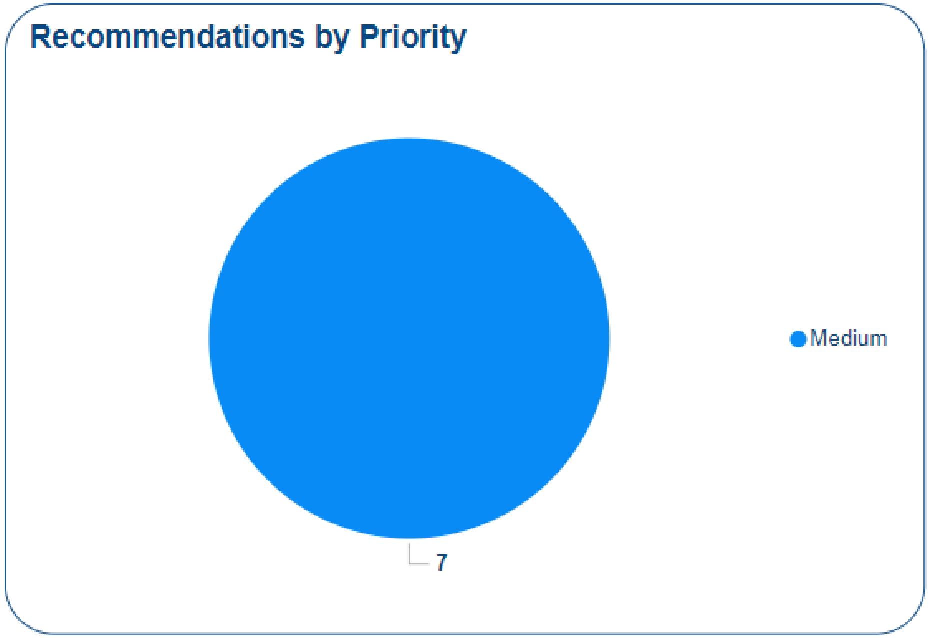




Title	Status
La Salette RC Primary - HC	Completed
The Towers Federation - HC	Deferred to Next Year
Crownfield Infants	Draft Report
Suttons - T3 (23/24)	Draft Report
The Towers Federation	Draft Report
Clockhouse Primary	Not Started
Corbets Tey Primary	Not Started
Emerson Park Academy	Not Started
Engayne Primary	Not Started
Harold Court Primary	Not Started
Harold Wood Primary	Not Started
Hilldene Primary	Not Started
La Salette Catholic Primary	Not Started
Langtons Infants	Not Started
Rainham Village Primary	Not Started
Squirrels Heath Infants	Not Started
St Albans Catholic Primary	Not Started
St Edwards Church of England Primary	Not Started
St Josephs Catholic Primary	Not Started
St Patricks Roman Catholic Primary	Not Started
St Peters Catholic Primary	Not Started
The Growing Together Federation	Not Started
The Learning and Achievement Federation	Not Started
Brady - T3	Underway
St Josephs - HC (22/23)	Underway
The Aspire Learning Federation	Underway

Outstanding Audit Recommendations - Schools





Plan Year	Audit Title	Recommendation Priority	Recommendation Status
2023/24	Clockhouse Primary	Medium	Not Due
2023/24	RJ Mitchell - T3 (22/23)	Medium	Overdue
2023/24	St Albans Catholic Primary	Medium	Not Due
2023/24	St Patricks - T3	Medium	Overdue

Introduction - Counter Fraud

The counter fraud service is continuing to follow up, fraud referrals, desk based intelligence checks and investigations with door step visits and Interviews under Caution where necessary The Council take a zero tolerance approach to tenancy fraud and currently have 79 open investigations.

During the period 01/04/2024 to 30/06/2024, seven non-housing referrals were also received; two of which were Whistleblowing referrals. Two cases have been investigated and concluded and five referrals are currently being investigated.

Proactive Counter Fraud Investigations Work undertaken between 01/04/2024 and 30/06/2024

Area	Description	Number Recieved
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc.	13
National Fraud Initiative	The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and is conducted every two years.	Results are currently under review.

Counter Fraud

Three referrals were brought forward from the previous period.
- Two cases have been concluded; and
- One remaining case is still under investigation.

Between 01/04/2024 and 30/06/2024 seven referrals were received; two of which, information was provided by Whistle-blowers:
- Two cases have been investigated and concluded; and
- Five referrals are currently being investigated.

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

Description	2023/2024	2024/25 to Date
Notional Saving	383820	0
RTB stopped	3	0
Properties recovered	14	1
RTB referred and reviewed	94	35
Number of referrals for investigation	127	93
Notional Saving *	588000	42000
Total Notional Saving	971820	42000

* Notional savings uses a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000

Housing Cases

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

Description	2024/25 (to date)
Awaiting Court Hearing	1
Closed - Fraud Detected	2
NFA / No Offence	11
Notice To Quit (NTQ) issued	1
Number of completed / closed investigations	14
Number of new referrals retained for investigation *	9
Number of referrals brought forward	84
Number of referrals currently under investigation	79
Open Investigations	64
Passed to Legal Services for Criminal / Civil Proceedings	9
Pending bailiff action / Eviction	4
Properties Recovered	1
RTB stopped **	0

Key: * Total number of referrals received and triaged was 34. However, only 9 are being investigated as the remaining referrals do not get investigated by the Counter Fraud Team, e.g. Housing Benefit, other LA's.

** Total number of RTB's referred and reviewed was 35.

Housing Services refer Mutual Exchanges and Succession to the Counter Fraud Team to review. A total of 3 Mutual Exchanges and 8 Successions have been referred and reviewed.

Appendix 1 : Limited Assurance Reports – Engagement of Consultants via Matrix Managed Marketplace (Governance & Compliance Culture)

Background

The Matrix contract comprises of two components. Matrix SCM for the supply of temporary agency workers and Matrix Managed Marketplace (MMM) which relates to the engagement of consultants. This audit reviewed the process of engaging consultants / consultancy teams via Matrix Managed Marketplace, not the engagement of agency workers.

At the time of this review, there were a total of 46 live projects utilising consultancy services with a total budget of £3.4m engaged via MMM. Of these, 67% were awarded directly to the provider without competition which equates to 31 projects totalling £2.5m.

Assurance Opinion - Limited

The overall audit opinion can only provide limited assurance that the control framework is adequate to manage the risks in the recruitment of consultancy services.

Summary Key Findings	Recommendations
The Contract management arrangements between the Council and Matrix Managed Marketplace are unclear.	**High** - Clarification should be sought should be sought that any content / process within the contract that currently only refers to agencies or candidates (SCM) will also be applied to consultants / providers (MMM), going forward, and where necessary, any distinctions between these two areas are clearly established. This should include appropriate contract management arrangements and the establishment of Key Performance Indicators.
There is a lack of clarity regarding whether the use of the Matrix Managed Marketplace contract negates or supersedes the existing contract procedure rules.	**High** - It should be established whether the Council’s internal procurement rules, set out in the Councils Constitution and associated documents, should be applied, such as the requirement for a competitive process above a specified value.
The engagement of contractors through the Matrix Managed Marketplace contract does not provide sufficient assurance that contractors are appropriately vetted	**High** - Clarification should be sought as to when vetting checks are applied, how checks are measured and how the outcome of these checks will be reported / notified to Council Officers. Guidance should be updated to ensure officers are aware of the outcome of these discussions and where necessary training should be provided.

There is a risk that consultants may be engaged outside of the contracted arrangements.	**High** - In order to ensure that MMM is being used in a compliant manner, the current Contract Procedures Rules' reference to consultancy and professional services should be expanded to clearly define these terms.

IMPLICATIONS AND RISKS

Financial implications and risks:

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

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

Legal implications and risks:

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

Human Resources implications and risks:

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

Climate Change implications and risks:

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

Equalities implications and risks:

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

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

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

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

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

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