

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Appointment Centre Room 7 & 8 Town Hall, Romford
3 December 2024 (7.00 - 8.10 pm)**

Present:

COUNCILLORS:

Conservative Group Keith Prince and David Taylor

Residents' Group Julie Wilkes (Chair) Jacqueline Williams (Vice-Chair)
and John Crowder

**Residents Association
Independent Group** Philip Ruck

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

6 DISCLOSURE OF INTERESTS

There were no disclosures of interest.

7 MINUTES OF THE MEETING

The meeting minutes of the Committee held on 25 July 2024 were agreed as a correct record and signed by the Chairman following a rewording of paragraph 3 of the item on Annual Treasury Management report.

8 STATEMENTS OF ACCOUNTS 2021/22 & 2022/23 AND EXTERNAL AUDIT REPORTS TO THOSE CHARGED WITH GOVERNANCE

The Head of Financial Control introduced the report and then invited the representative of Ernst and Young (EY), the external auditors, to present the report the Audit Completion Report from Ernst and Young LLP on the 2021/22 and 2022/23 Statement of Accounts, together with the 2021/22 and 2022/23 Financial Statements for approval.

The Council was required to prepare annual financial accounts covering the period from 1 April to 31 March. These accounts were required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Accounts and Audit Regulations 2015 required that the authority prepared and published its unaudited accounts by 31 May, however; the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 revised the statutory publication date for 2021/22 to 31 July 2022. This reverted back to 31 May for 2022/23. Regulation 9(2) required Members to approve the Statement of Accounts that was to be published, either by meeting as a whole or through a committee.

Once Members had approved the Statement of Accounts, regulation 10 set out the requirements for publication of an authority's accountability statements. These comprise of the Statement of Accounts together with the opinion and any certificate, the Annual Governance Statement approved by Members and the Narrative Statement. Over recent years Havering, like many local authorities, had experienced significant delays with the audit of its accounts.

To address the backlog, and following a period of consultation, the system leaders developed a solution involving 'backstop dates'. As a result, a large number of financial statements would be published with modified opinions. To mitigate any potential reputational risk and so that local bodies were not unfairly judged due to disclaimed or modified opinions, auditors would be expected to provide clear reasons for the issuing of such opinions. Havering's draft accounts were published on the Council's website. The 2021/22 accounts were published on the 29th of July 2022, and the 2022/23 accounts were published on the 31st of May 2023.

The local audit backstop arrangements had been established to set dates by which an authority must publish a final version of its statement of accounts for a particular year, irrespective of the progress that had been made by the auditor. It was to be noted that the first of these dates was the 13th of December 2024, by which time the 2022/23 should be published. The 2021/22 and 2022/23 statement of accounts that the Committee were asked to approve were unchanged from the draft versions which were previously published on the Council's website. The auditor had done a value of money for both years and the pension fund accounts for both years were also audited.

A number of procedures were performed to ensure understanding of the entity and fraud risks through letters to management, the Audit chair, internal audit and the Monitoring Officer. Limited comparative and casting cheques that made recommendations were made to ensure consistency. Page 8 of the report gave the reason for the disclaimer and the background of why the audit of 2021/22 and 2022/23 was unable to be performed. The 2023/24 audit was underway and would be reported in January and February to the Committee.

In discussion, it was explained that it is the auditor's responsibility to look at the arrangements any local authority had in place, primarily around governance, economy, efficiency and effectiveness, and financial sustainability. Under governance it would be the committee structure and whether it was appropriate to discharge the Council's business, but not whether that structure provided the best value that a policy decision that the management would want to make. If recommendations and follow up to queries were not done in a timely matter that would be an issue for internal audit and then in turn for the auditor. It was also agreed that a deep dive could be done on any specific issues where concerns were raised. In addition, EY would come and speak to the Committee once a year independently as well. Therefore, should Members wish to raise specific concerns they could do so.

In regard to a question asked about Mercury Land Holdings and it being a significant borrower of Council finance, the business plan was scrutinised yearly and it was explained that if it's a wholly owned subsidiary, auditors don't necessary have the capacity or policy mechanisms to scrutinise how business plans were run properly. However, that would be a worthwhile discussion and could be taken offline to see if an internal audit review could come back to the Committee.

RESOLVED that the Committee:

1. Considered the following External Auditor's reports in relation to the financial years 2021/22 and 2022/23:
 - Value for Money, Interim Report September 2024 (Appendix A)
 - Pension Fund Audit Results Report 2021/22 (Appendix B)
 - Pension Fund Audit Results Report 2022/23 (Appendix C)
 - Audit Completion Report for the years ending 31 March 2022 and 31 March 2023 (Appendix D)
2. Approved the Statement of Accounts for the financial year ended 31st March 2022 and to delegate authority to the Section 151 Officer and the Chair of the Audit Committee to sign the Accounts on behalf of the Council following any further audit adjustments that might be required before release of the audit opinion (Appendix E).
3. Approved the Statement of Accounts for the financial year ended 31st March 2023 and to delegate authority to the Section 151 Officer and the Chair of the Audit Committee to sign the Accounts on behalf of the Council following any further audit adjustments that might be required before release of the audit opinion (Appendix F).
4. Approved the draft Letters of Representations for Havering Council and Havering Pension Fund and delegate authority to the Section 151 Officer and Chair of the Audit Committee to update and sign on behalf of the Council once the audit opinions are provided (Appendix G and Appendix H).
5. Approved the 2021/22 and 2022/23 Annual Governance Statements, signed by the Leader and the Chief Executive, confirming the governance arrangements that were in place during both years (Appendix I and Appendix J).

9 HEAD OF ASSURANCE PROGRESS REPORT 2024/25

The Head of Assurance introduced the report that summarised the cumulative outcomes of audit and counter fraud work from 1st April to 31st October 2024, including actions taken by management in response to audit and counter fraud activity, which supports the governance framework of the authority.

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

Internal audit was a key component of corporate governance within the Council. The three lines of defence model, as detailed in the report, provided a framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation. The Council's third line of defence included internal audit, which should provide independent assurance to senior management and the Audit Committee on how effectively the first and second lines of defence had been operating.

An independent internal audit function would, through its risk-based approach to work, provided 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 was critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and formed the basis of the annual opinion provided by the Head of Assurance which contributed to the Annual Governance Statement. It could also perform a consultancy role to assist in identifying improvements to the organisation's practices.

The limited assurance reports issued since the last Audit Committee were included in Appendix 1 and it was confirmed that the authority had operated within the Treasury and prudential indicators set out in the TMSS; all Treasury management operations had been conducted in full compliance with the authority's treasury management practises.

Key indicators would be produced for the next quarter and it was explained that schools were reviewed every 3 years. However, the Towers requested the review was brought forward due to some concerns and there was work on-going to resolve those issues and the progress would be checked on in the next 6 months to ensure any risk was mitigated. In regard to the first recommendation, the control process to ensure all procurements were subject to appropriate governance etc. It was explained that implementation was due in February 2025 and Officers would go through and look at the detail of the average balance over the course of the year and processes were in place and provide clarification.

A debt board was created and the first meeting was being held in January which looked at assurance issues and ensured a process was in place to pursue and recover payments from non-payers.

RESOLVED that the Committee noted the contents of the report and raised any issues of concern and asked specific questions where required.

10 **MID-YEAR TREASURY MANAGEMENT REPORT 2024/25**

The Capital Strategy Manager provided a report that covered activity on treasury managed investments and borrowings and the associated monitoring and control.

The CIPFA TM Code required 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), and the report covered the period from 1st April 2024 to 30th September 2024.

The Authority's Treasury Management Strategy Statement (TMSS) 2024/25 was approved by Full Council on the 1 March 2024. The TMSS aimed to bring together the Council's capital programme and its budget to ensure borrowing decisions were affordable and sustainable in line with regulation.

It was explained that the average cash balance was about 90 million and the average of the authorities' performance was 5.36% for the full year.

RESOLVED that the Committee noted the treasury management activities to the end of September 2024 as detailed in the report.

Chairman