



**Havering**  
LONDON BOROUGH



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**ANNUAL REPORT ON THE  
WORK OF  
THE AUDIT COMMITTEE**

**APRIL 2017**

## **1. Introduction**

1.1 This report covers the period April 2016 to March 2017 and outlines:-

- Information relating to the Audit Committee;
- The coverage of work undertaken by the Audit Committee;
- Key issues arising;
- Actions taken during the year, including training, to ensure the effectiveness of the Audit Committee; and
- Future planned work and challenges.

## **2. Background**

2.1 The Audit Committee has been in place for a number of years. The Committee's terms of reference list the responsibilities and authorities delegated in the Council's Constitution, which comprise:

### **Internal control**

- To consider and monitor the adequacy and effectiveness of the Authority's risk management and internal control environment and to make recommendations to full Council where necessary.

### **External audit**

- To monitor the adequacy and effectiveness of the External Audit Service and respond to its findings.

### **Internal audit**

- To support the Director of Finance (Section 151 Officer) with his or her delegated responsibility of ensuring arrangements for the provision of an adequate and effective internal audit.
- To monitor the adequacy and effectiveness of the internal audit service and to receive and monitor an annual internal audit plan from the audit manager.
- To approve the Annual Statement of Accounts, including the Annual Governance Statement, and to recommend as necessary to the Governance Committee regarding the committee's responsibilities to monitor corporate governance matters generally.
- To monitor proactive fraud and corruption arrangements.

## **3. The Audit Structure (as at April 2017)**

Audit Committee: Cllr Viddy Persuad (Chair)  
Cllr Julie Wilkes (Vice Chair)  
Cllr Frederick Thompson  
Cllr Clarence Barrett  
Cllr David Johnson  
Cllr Graham Williamson

Internal Auditors: oneSource

External Auditors: Ernst & Young (EY)

#### **4. Audit Committee coverage**

4.1 The Audit Committee has received the reports as set out in Appendix A. The coverage can broadly be categorised as regular and specific. More information on both is set out below.

#### **4.2 Regular Work**

The Committee has regularly reviewed:

- Progress against the audit plan and performance;
- Key findings/issues arising from each audit undertaken;
- Progress against implementation of the recommendations;
- Anti-fraud and corruption activity, including frauds investigated and outcomes;
- Treasury Management activity; and
- The Accounts closedown timetable and progress reports.

#### **4.3 Specific Review / Reports**

There were several during the year including a review and approval of:

- the Statement of Accounts;
- the Annual Governance Statement; and
- the Annual Audit Plan.

The Committee also received assurances via:

- Annual Report from Internal Audit that includes the Annual Assurance Statement; and
- The work of External Audit (EY).

#### **5. Key issues arising**

5.1 Appendix B includes details of the audit assurances and recommendations provided for each audit area within the plan.

5.2 The Committee have been updated on the Audit, Risk and Fraud Teams which were restructured during 2016/17 as part of the oneSource service integration and joining of a third partner, The London Borough of Bexley.

#### **6. Priorities and work plan for the forthcoming year**

6.1 The Audit Committee is currently planned to meet on four occasions over the next municipal year. There are specific reports planned throughout the year, running through a mix of quarterly progress reports and annual reviews of specific strategies and policies within the remit of the Committee, together with progress reports from the Council's external auditor.

6.2 Officers will continue to ensure all members on the Committee, and their nominated substitutes, are adequately trained.

**Annual Report of the Audit Committee, 2016/17**

- 6.3 The Committee will continue to oversee the effectiveness of the audit team and wider fraud resources in accordance with Public Sector Audit Standards Audit and Accounts Regulations 2015.
- 6.4 The Committee will focus on the embedding of the Risk Management arrangements agreed in the revised Risk Management Policy and Strategy.
- 6.5 Fraud prevention and detection will continue to be high on the Audit Committees agenda going forward.
- 6.6 The Committee will continue to focus on ensuring Value for Money and challenging weak areas that have been highlighted by the work of Internal Audit.
- 6.7 A draft forward plan and training plan are detailed in Appendix C.

**AUDIT COMMITTEE AGENDA ITEMS - FROM APRIL 2016 TO MARCH 2017**

**June 2016**

- Internal Audit Annual Report 2015/16
- Annual Governance Statement 2015/16
- Committee Forward Plan
- Member Training Plan
- Accounts Closure Update
- Treasury Management Annual Report

**September 2016**

- Approval of annual Statement of Accounts 2015/16 (with AGS)
- Report to those charged with Governance (External Audit)
- Response to Auditors' Report to those charged with Governance (Finance)
- Treasury Management Update Q1
- Internal Assurance Report Q1
- Governance update (6 months)
- Corporate Risk Register Update (6 months)

**November 2016**

- Annual Audit Letter
- Closure of Accounts Timetable
- Treasury Management Update Q2
- Internal Assurance Report Q2

**March 2017**

- 2015/16 Audit Report of Grant Claims and Returns
- External Audit Plan 2016/17
- Accounting Policies 2016/17
- Closure of Accounts Timetable 2016/17
- Internal Assurance Report Q3

**May 2017**

- LB Havering Audit Plan 2017/18
- Internal Audit Strategy and Charter 2017
- Annual Report of the Audit Committee

**AUDIT COMMITTEE SPECIFIC ASSURANCES**

The table below shows the reports submitted to Audit Committee during the year (up until the end of quarter three) and identifies the title of the audit and shows the audit opinion given. The audit opinion options are:

- **Substantial:** There is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
- **Moderate:** Whilst there is basically a sound system of control within the areas reviewed, a need was identified to enhance controls and/or their application and to improve the arrangements for managing risks.
- **Limited:** There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

The table also shows the number of recommendations made and the category. Recommendations are categorised into three priority levels which indicate the level of risk the identified weakness poses on the control environment. The key below defines these priorities.

- **High:** *(Immediate Implementation):* Action is imperative to ensure that risks are managed to an acceptable level.
- **Medium:** *(Implementation within 1 – 3 months):* Requires action to further enhance controls and improve arrangements for managing risk.
- **Low:** *(Implementation within 6 months):* Action to enhance control or improve operational efficiency – merits attention.

Report	Assurance	Recommendations			
		High	Med	Low	Total
<b>Systems Audit</b>					
Direct Payments	Limited	5	9	0	14
Disaster Recovery	Substantial	6	8	0	14
Talent Link Application	Substantial	0	5	0	5
Service Manager Follow Up	Substantial	N/A	N/A	N/A	N/A
PARIS Follow Up	Substantial	N/A	N/A	N/A	N/A
Catering	Moderate	0	6	0	6
NEPRO	Moderate	0	4	0	4
Schools Capital	Moderate	1	0	0	1
SWIFT	Substantial	0	0	0	0
Cheque Processing	Moderate	0	2	0	2
Pool Car	Moderate	1	0	0	1
Troubled Families (Claim window 1)	Substantial	0	0	0	0
NNDR Valuation & Liability (oneSource audit covering LB Newham and LB Havering)	Moderate (overall)	3	3	0	6

**Annual Report of the Audit Committee, 2016/17**

<b>Report</b>	<b>Assurance</b>	<b>Recommendations</b>			
		<b>High</b>	<b>Med</b>	<b>Low</b>	<b>Total</b>
Deactivated ID Cards	Substantial	0	0	1	1
Payment in Error	Limited	5	3	0	8
<b>Schools Audit</b>					
Dame Tipping Primary	Moderate	2	5	5	12
Langtons Infants	Substantial	1	5	0	6
Marshalls Park	Moderate	2	8	1	11
Royal Liberty	Moderate	1	4	4	9
Newtons Primary	Moderate	3	7	1	11
Mead Primary	Limited	3	13	2	18
Parsonage Farm Primary	Moderate	1	5	9	15
Royal Liberty Secondary	Moderate	1	4	4	9
St Ursulas Junior	Moderate	0	4	3	7
Gaynes Secondary	Moderate	0	9	1	10
Sanders Secondary	Limited	6	17	2	25
Broadford Primary	Limited	2	7	1	10
Wykeham Primary	Limited	13	12	0	25

**AUDIT COMMITTEE – DRAFT FORWARD PLAN / TRAINING**

<b>FORWARD PLAN</b>	<b>AGENDA ITEM</b>	<b>PLANNED TRAINING</b>
June 2017	<ul style="list-style-type: none"> <li>• Internal Audit Annual report 2016/17</li> <li>• Assurance Progress Report Q4</li> <li>• Annual Governance Statement 2016/17</li> <li>• Committee Forward Plan</li> <li>• Member Training Plan</li> <li>• Accounts Closure Update</li> <li>• Treasury Management Annual Report</li> </ul>	Review of Training Needs for Year & Horizon scanning
September 2017	<ul style="list-style-type: none"> <li>• Annual Statement of Accounts</li> <li>• Report to those charged with Governance</li> <li>• Response to Auditors Report to those charged with Governance</li> <li>• Assurance Progress Report Q1</li> <li>• Treasury Management Update Q1</li> </ul>	Accounts
November 2017	<ul style="list-style-type: none"> <li>• Annual Audit Letter</li> <li>• Closure of Accounts Timetable</li> <li>• Assurance Progress Report Q2</li> <li>• Governance Update</li> <li>• Annual Review of Fraud &amp; Corruption</li> <li>• Annual Review of Risk Management</li> <li>• Treasury Management Update Q2</li> </ul>	Fraud Risks
February 2018	<ul style="list-style-type: none"> <li>• Audit Report of Grant Claims and Returns 2016/17</li> <li>• External Audit Plan 2018/2019</li> <li>• Update of Corporate Risk Register</li> <li>• Internal Audit Draft Plan and Strategy.</li> <li>• Internal Audit Charter and Terms of Reference</li> <li>• Assurance Progress Report Q3</li> <li>• Annual Review of Audit Committee Effectiveness</li> <li>• Treasury Management Update Q3</li> <li>• Closure of Accounts Timetable 2017/18</li> <li>• Accounting policies 2017/18</li> </ul>	Procurement
April 2018	<ul style="list-style-type: none"> <li>• Treasury Management Update Q4</li> <li>• Outstanding Audit Recommendations</li> <li>• Annual Report of Audit Committee</li> </ul>	Risk Management